



Annual Review 2012

International Chamber of Shipping *Representing the Global Shipping Industry*





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Annual Review 2012



Representing the Global Shipping Industry

ICS (the International Chamber of Shipping) is the principal international trade association for shipowners, concerned with all regulatory, operational and legal issues.

ISF (the International Shipping Federation) is the identity used by ICS when representing the industry on employment affairs issues.

The membership of ICS (and ISF) comprises national shipowners' associations representing all sectors and trades from 36 countries, covering more than 80% of the world merchant fleet.



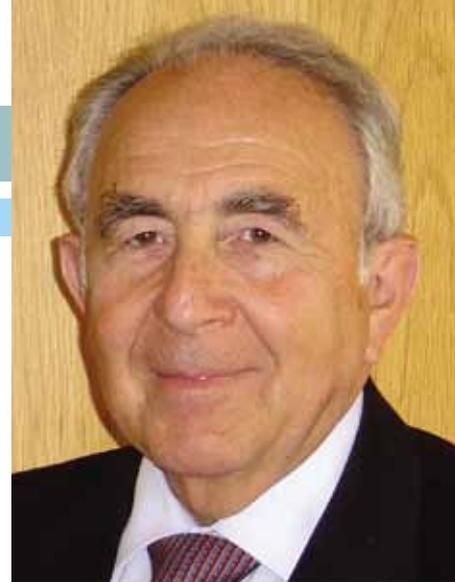


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**ICS Chairman, Spyros M Polemis
Greece**



Chairman's Overview

4 THIS ICS ANNUAL REVIEW provides a good opportunity to take stock of events during the last 12 months that may help to shape the future direction of our great industry, and of some of the major challenges that lie ahead. Sadly, this will be the last occasion on which I provide the opening remarks to this comprehensive review of ICS's activities on behalf of the global shipping industry. The influence that ICS brings to bear on maritime regulatory affairs is considerable; something which - despite the huge political and technical complexities involved - ICS does with considerable success, but with characteristically quiet efficiency.

However, in a world of mass media, and with a plethora of different interest groups vying for attention, false modesty is no longer seen as a virtue. Therefore, as soon as I came to appreciate the remarkable breadth of ICS's activities, the depth of its expertise and the respect which it enjoys amongst governments worldwide, one of my tasks as Chairman has been to try to increase understanding and awareness of ICS's vital role within the shipping industry at large. I hope that this expanded ICS Annual Review will contribute to that task. Like most things in life which we take for granted, the service provided by ICS is something that the industry would find very hard indeed to do without.

ICS, its member national shipowners' associations and the industry which they represent have witnessed a great deal of change since I was first elected Chairman six years ago, against a backdrop of booming shipping markets which then plunged into deep recession, as well as major challenges on the regulatory front.

The latter sometimes placed strain on the maintenance of the global regulatory framework on which the shipping industry depends to operate efficiently. I am very pleased to report that this framework, underpinned by IMO Conventions, remains firmly intact and is still strongly supported worldwide, by governments and industry alike. But there continues to be a need to be vigilant against unilateral or regional regulation, not least with respect to measures to address shipping's CO₂ emissions.

During my tenure at ICS, we have seen the adoption of a radical IMO agreement that will dramatically reduce air pollution and, in July 2011, the first ever global agreement covering an entire industrial sector that will ensure that shipping reduces its CO₂ emissions by 20% per tonne/km by 2020, with further significant improvements in energy efficiency going forward.

With respect to the safety and welfare of the seafarers that we employ, and on whom the world depends for the efficient transportation of 90% of world trade, we have seen major adjustments to the International Safety Management (ISM) Code and the IMO STCW regime governing training standards, as well as the adoption of the ILO Maritime Labour Convention. This is in addition to the incremental but numerous changes to detailed regulations governing ship construction and equipment, maritime law and insurance, and the smooth operation of shipping markets, which all help to ensure that shipping remains safe, clean and remarkably efficient. These are all important developments in which ICS, and its members, have played a crucial part, helping to ensure that the best interests of the industry and society

are reconciled so far as possible in a sound and practical manner.

As this Annual Review makes clear, the next few years will be very difficult, with global economic uncertainty, a chronic oversupply of tonnage, and truly enormous cost pressures, not least with respect to bunkers, as we move towards burning low sulphur fuel. Shipowners also face the prospect of being charged billions of dollars per year for carbon emissions, despite being by far the most energy efficient mode of commercial transport. New requirements for ballast water management also present a serious challenge, with respect to both their technical and economic viability.

Of more immediate concern, shipowners and their crews continue to face the wholly unacceptable scourge of piracy, off the coast of Somalia and elsewhere. I have said it before and I will say it again, it really is time for the international community to make it clear, and for governments to understand, that criminal attacks against international shipping cannot and will not be tolerated.

Meanwhile, the dangers of complacency with respect to the industry's otherwise generally excellent safety record have been put into the spotlight by the 'Costa Concordia' tragedy and other recent accidents that will inevitably result with a robust response from the regulators. It must be hoped that this response will be measured and based on a thorough analysis of the facts, as well as a proper debate about the technical merits of arguments for any proposed changes to rules or procedures. ICS will of course contribute actively to this debate in the year ahead.

ICS Vice Chairman 2011/12

I am very pleased that my last few months in office have coincided with the appointment of Mr Koji Sekimizu as the new Secretary-General of IMO. I am especially pleased that, whilst sharing ICS's ultimate goal of zero accidents and zero impact from shipping on the environment, he too believes that more should be done to explain the impressive performance of the industry to its international regulators, to politicians and to high level policy makers. ICS looks forward to participating alongside IMO at the 'Rio + 20' United Nations Summit on Sustainable Development in June 2012.



Captain Dirk Fry
Cyprus



Mr Trygve Seglem
Norway



Mr Frank Leonhardt
Germany



Mr Gerardo Borromeo
Philippines

It has truly been a pleasure to serve as the Chairman of ICS, as well as a great responsibility. I have very much enjoyed my contact with the member national associations, and I must express my deep appreciation to the ICS Board of Directors, and to those who contribute with such dedication to the vital work of ICS's expert committees which produce ICS policy positions and develop invaluable guidance on industry best practice.

I wish my successor well, and I am very confident that under his leadership ICS will continue to serve the best interests of our industry in the highly considered and professional manner to which we have become so accustomed.

Spyros M Polemis
Chairman

Secretariat

Mr Peter Hinchliffe *Secretary General*

Mr Simon Bennett
Director External Relations

Ms Linda Howlett
*Director Legal Affairs**

Ms Kiran Khosla
*Director Legal Affairs**

Miss Camilla Arana
Policy Officer

Mr Phillip Binks
Adviser

Mr Alistair Hull
Technical Manager

Mrs Susan Gray
Director Finance and Administration

Mrs Kathryn Hall
Personal Assistant to Secretary General

Mrs Catherine Howlett
Administrator Publications

Mr John Murray
Director Marine

Mrs Natalie Shaw
Director Employment Affairs

Mr David Tongue
Director Regulatory Affairs

Mr James Langley
Senior Adviser

Miss Emily Rowley
Adviser

Mr John Stawpert
Senior Adviser

Mrs Shantel Ryan
Publications Manager

Mrs Anita Pow
Administrator Shipping Policy

Miss Julie Rogers
Administrator Marine Department

**position held jointly*



The 'Costa Concordia' Disaster

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EVERYONE IN SHIPPING recognises the need to be prepared for the unexpected. What was not foreseen was that the defining event of 2012 would be the tragic loss of the 'Costa Concordia' and that the safety record of the industry would be put under the spotlight in the most dramatic way imaginable. This high profile disaster may also have implications for other types of ship beyond the cruise sector, and it will almost certainly have a significant influence on the immediate regulatory agenda at IMO.

Safety of life at sea must always remain the highest priority and the way in which the industry addresses any issues raised by this major accident may reflect on its reputation for years to come. It will be vital for the industry to understand the sequence of events that led to the disaster, which involved

a 'state of the art' vessel manned by a highly qualified crew who were using the latest navigational equipment.

On 13 January 2012, in the full glare of the world's media, the cruise ship 'Costa Concordia' grounded and capsized off the coast of Italy with over 4,000 people on board. Tragically, at least 30 lives were lost. This serious maritime casualty appears to have been a text book case of an accident that should never have happened, made all the more poignant by the 100th anniversary of the sinking of the 'Titanic' with which comparisons have inevitably if erroneously been made. That said, questions are being asked about what might have occurred had a similar incident taken place at a more remote location away from sophisticated search and rescue services.

The Italian cruise ship struck rocks in



the Tyrrhenian Sea just off the eastern shore of Isola del Giglio, with media reports suggesting that the vessel came too close to the island in what are well charted waters. It seems the impact ripped an enormous gash on the port side of the hull, flooding parts of the engine room and causing loss of power to propulsion and electrical systems. With water flooding in, the ship reached the island several hours later, where it grounded in shallow water with most of the starboard side underwater.

With ICS support, the Cruise Lines International Association (CLIA) and the European Cruise Council (ECC) led the immediate sector-specific public relations response. More importantly, CLIA members have been conducting a root and branch review of their safety and operational procedures. However, ICS will be closely involved in the inevitable

regulatory discussions at IMO, as well as in the European Union and the United States. The European Commission has already announced that it will launch a public consultation and legislative review during the course of 2012 while the US Congress is conducting its own hearings given that a large proportion of cruise ship passengers are US nationals.

It is hoped that the Italian government will present the results of its preliminary investigations for consideration by the IMO Maritime Safety Committee as soon as possible, although its task is complicated because the disaster is subject to a criminal investigation. While it is still far too early to know what the outcome of the accident investigation will be, questions raised by the media suggest that as well as navigational issues and emergency procedures, stability issues may come

under further scrutiny. The debate about the large size of modern cruise ships, and arrangements concerning insurance for liabilities, are also likely to be given renewed attention. Proposals to review the proper application of the IMO International Safety Management (ISM Code) are also anticipated.

For the moment at least it seems that politicians and regulators are commendably refraining from knee-jerk responses until the causes of the accident are fully understood. However, this approach may yet change during the year ahead as more facts about this unfortunate incident are released and the criminal proceedings in Italy receive further close attention across the media.





The Piracy Crisis Continues



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IT IS IMPORTANT to recall that the continuing crisis in the Indian Ocean and attacks against shipping by Somali pirates have already led to over 60 seafarers losing their lives and over 4,000 seafarers being taken hostage. Piracy has also been estimated to cost the global economy billions of dollars a year and is causing untold damage to the economies of Africa and the Middle East. But the principal concern of ship operators is humanitarian. It is simply unacceptable that so many seafarers have been killed, while hundreds more are still being held captive in appalling conditions. Thousands of seafarers still have to traverse the danger area in serious fear for their lives, and the strain on their families must also not be forgotten.

Notwithstanding the success of current military deployments, there is still a pressing need for the governments of those nations with the largest military navies in the region to increase resources available to the extent that is necessary to have a game changing impact. In co-operation with the rest of the industry, including those organisations supporting the excellent 'Save Our Seafarers' campaign, ICS is committed to helping ensure that the problem of piracy retains sufficient political and public attention, so that the crisis might be properly and decisively addressed during 2012.

Some press reports may have given the impression that the level of piracy off Somalia is decreasing. But as data from the military makes clear, pirate capability is actually higher than ever. However, counter-piracy work in terms of compliance with the Best Management Practices developed by the industry in co-operation with navies (an updated version – BMP 4 – was issued in October 2011) and sustained military

intervention with a more aggressive stance has reduced the pirates' rate of success. Thankfully, the number of crew held in Somalia is also at a lower level than has been the case for some time, with about 200 seafarers currently in captivity, although it must be stressed that this situation is still totally unacceptable.

In February 2012, the Prime Minister of the United Kingdom hosted a major intergovernmental conference on Somalia. ICS welcomed the commitments made to try to restore government and civil society in this conflict ridden country, the absence of a functioning state being one of the underlying causes of violent Somali pirate attacks. However, addressing these issues will take years if not decades and the Conference did not appear to result in any firm political commitment, or new action, to eliminate or significantly reduce the scourge of Somali piracy in the immediate future.

ICS believes that governments must task their military forces to take the attack to the pirates and ensure that the military assets required to do this are maintained in theatre so that they can continue to defend merchant ships in the best way possible. Encouragingly, in March 2012, EU governments signalled that they may be moving in this direction, and extended the mandate of Operation Atalanta until 2014. However little mention was made at the February Conference of the obligations of governments under the United Nations Convention on the Law of the Sea to protect merchant ships and their crews from piracy, and the fear persists that the current level of pirate attacks is something which governments might be willing to continue to tolerate

because ships are out of sight and out of mind.

Government abdication of responsibility for ship security to private armed guards, to whom shipping companies are now resorting in increasing numbers, is not a viable long term solution for eliminating piracy. However, because of their growing use, ICS is now pressing IMO, and the International Contact Group working under the auspices of the UN, to give urgent consideration to the regulation of armed guards and the criteria against which they might be vetted. The GUARDCON contract launched by BIMCO is a very helpful tool, but it does not address every legal problem to which shipping companies and Masters might potentially be exposed.

Another key objective of ICS is to ensure that every captured pirate is sent to trial. Counter-piracy efforts have been greatly discredited by the lack of appropriate domestic legislation in many nations, including any offence of 'intent to commit piracy'. This has led to a continuation of the absurd situation whereby pirates who are captured by navies are sometimes released back to Somalia. ICS has therefore welcomed the focus of the February Conference on the need for apprehended pirates to be arrested, taken to a court of law and, if found guilty, imprisoned, including the announcement to establish a new Regional Anti-Piracy Prosecutions Intelligence Co-ordination Centre based in the Seychelles.

ICS has also welcomed the determination of governments to break the financial chain through legal action against criminal financiers investing in piracy wherever in the world they

Year	2009	2010	2011
Pirate Attacks	117	127	151
Disruptions	14	64	27
Piratings	46	47	25

Source: EUNAVFOR



are identified. However, the shipping industry would be deeply concerned by any suggestion that the payment of ransoms, in order to secure the release of seafarers being held hostage, should be prohibited or somehow criminalised. The UK Foreign Office has advised that this is not the intention behind a new international task force on pirate financing that is being established in 2012. However, the possibility of banning ransoms has received considerable media attention and sometimes unhelpful comment from senior politicians who should perhaps be more mindful of unintended consequences.

In the event that seafarers are taken hostage, the inability of the international community to eliminate piracy or to rescue hostages means that shipowners have no option but to pay ransoms. The alternative would be for shipowners to abandon

their crews to months if not years of appalling treatment. This includes torture and murder, which has already been the result when ransoms have not been paid. In the event that ransom payments were prohibited or criminalised, many seafarers and shipping companies would understandably refuse to sail in the affected danger area, with significant implications for the large proportion of world trade, including about 40% of the world's oil shipments, which is transported via the Western Indian Ocean.

To reiterate, the primary concern of the industry is humanitarian, and shipowners have a duty of care to their crews and their families. Mention must therefore be made of the important work of the Maritime Piracy Humanitarian Response Initiative, to which ICS has contributed, that has compiled good practice guidelines

for shipping companies and manning agencies to help support seafarers and their families affected by pirate attacks.

Finding a solution to piracy remains a clear priority for ICS, which now finds itself participating in numerous meetings at IMO and the various working groups set up by the International Contact Group on Piracy off the Coast of Somalia. While all these meetings, in London, New York and elsewhere, are taking important decisions with respect to detailed facets of the problem, they are perhaps symptomatic of the fact that consideration of piracy is becoming institutionalised and that governments may still be side stepping the real issue of how to tackle the pirates militarily. The time has surely come for a clear message from the international community of zero tolerance of piracy across the globe.



Navigating the Politics of Climate Change

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IN JULY 2011, 150 or more IMO Member States concluded a ground breaking agreement to reduce the shipping industry's CO₂ emissions. This is the first such global agreement for an entire industrial sector. As a result of amendments to the MARPOL Convention, new ships will have to be built with an Energy Efficiency Design Index (EEDI), while from 2013 all ships, including existing ships, will have to utilise a Ship Energy Efficiency Management Plan (SEEMP) in order to control fuel consumption and reduce emissions.

As a result of this IMO agreement on technical and operational measures, and the steps that ship operators are already taking to reduce fuel consumption, ICS is confident that shipping can deliver a 20% reduction in emissions per tonne/km by 2020 across the entire global industry.

Objective observers might be forgiven for thinking that this IMO agreement is a very impressive achievement, especially as shipping is already, by far, the most energy efficient form of commercial transport. However, a number of governments still expect much more. In the context of the new Green Climate Fund that was established by the most recent United Nations Climate Change Conference, some governments have actually proposed that shipping should pay as much as US\$40 billion per year for the privilege of transporting 90% of the world's trade.

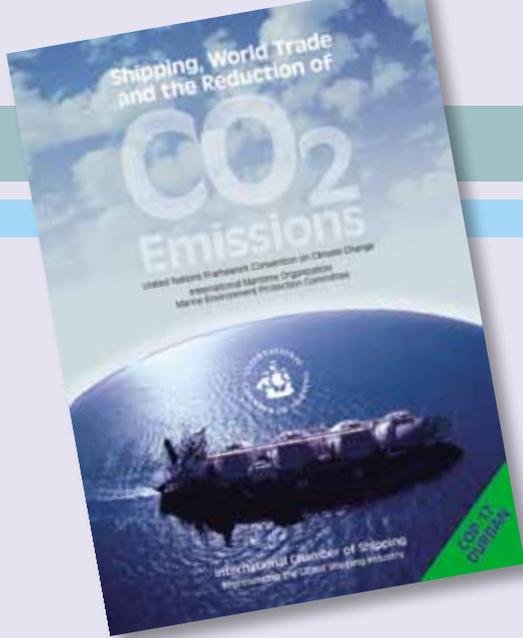
The IMO agreement on technical and operational measures enjoys the full support of the shipping industry. ICS has recommended that all new ships currently covered by the regulations are delivered with an EEDI, even though flexibility

exists to apply for flag state waivers. Reducing CO₂ emissions through reducing fuel consumption is a matter of enlightened self interest for ship operators, and the industry is fully engaged in the continuing discussions at IMO about refining the EEDI and extending it to ship types for which EEDI formulae have not yet been finalised due to the more problematic nature of the calculations.

Above all, the IMO agreement is strongly supported by shipowners because of the overriding need for global rules for a global industry. If different rules were to apply to ships at different ends of a voyage there would be chaos, inefficiency and serious market distortion. A regional approach to reducing ships' emissions would also be far less effective in actually reducing CO₂. Climate change, of course, is a global challenge.

Notwithstanding the considerable efforts being made to reduce ship emissions through technical and operational measures, the industry is under pressure to accept the additional burden of so called Market Based Measures (MBMs). Market Based Measures to reduce CO₂ remain a very controversial issue among shipowners. Some governments argue that MBMs will somehow incentivise shipowners to achieve further efficiency gains, and might bridge the gap they perceive between the significant efficiency improvements that shipping is already delivering and the expectations that total maritime trade will continue to expand in response to the (long term) predicted growth of the world economy.

But in the face of rising fuel costs, shipowners reasonably believe that they already have every incentive to



improve their fuel efficiency. The introduction of low sulphur fuels, as part of a separate IMO agreement, is also expected to increase bunker costs by in excess of 50%. With 2012 looking like one of the most financially difficult years for shipowners in living memory, now is certainly not the time to introduce an additional cost pressure in the form of an MBM. Many in the industry are concerned that some governments are more interested in how much money can be squeezed from shipping through an MBM, rather than any further emissions reduction that this might actually deliver.

The challenge for ICS, as the industry's principal international trade association, is that despite shipowners' justified suspicions about MBMs, it is necessary for the industry to address the politics of climate change and some difficult realities.

The first of these is that the UNFCCC, and its high level discussions about replacing the Kyoto Protocol, is in large part driving the agenda. In addition, there are the significant, and some would argue unrealistic, commitments that have already been pledged by nations such as EU Member States, to reduce their total CO₂ emissions dramatically. Unless IMO can demonstrate that it is making real progress towards the development of an international MBM for shipping, the industry may be faced with the unwelcome prospect of regional action.

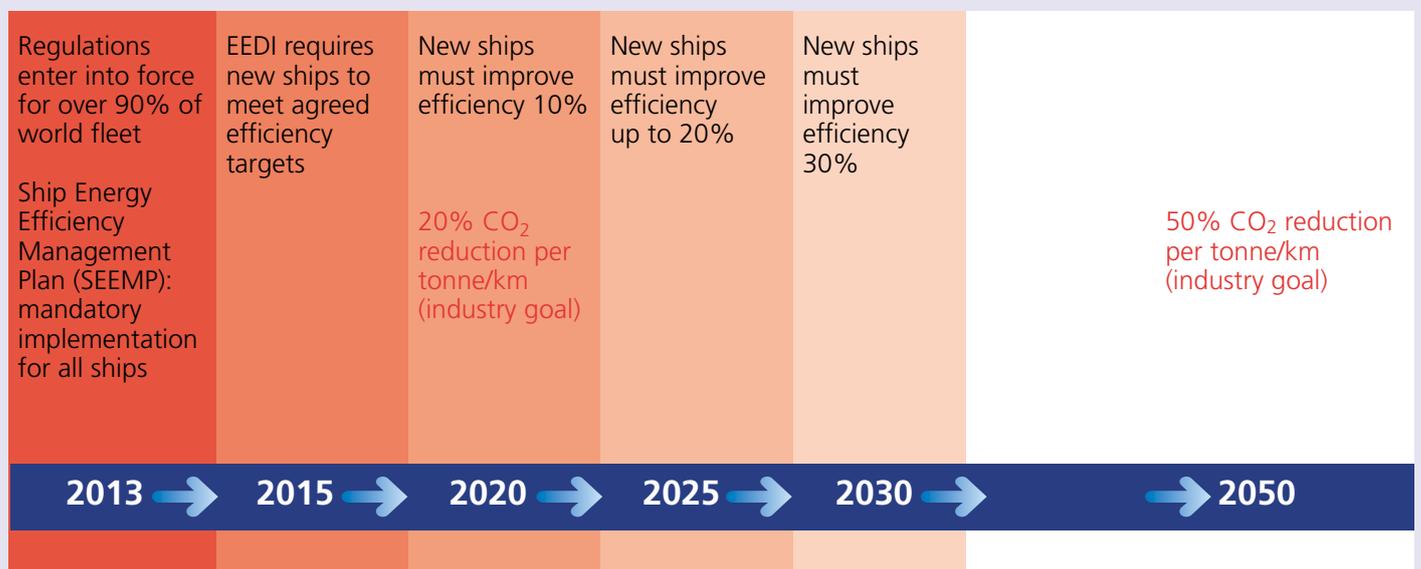
The other important political reality is the decision by the most recent UN Climate Change Conference in Durban, in December 2011, to establish the Green Climate Fund. This aims to generate US\$100 billion per year by 2020, in order to help mitigation and adaptation projects in

developing nations. In simple terms, this can perhaps be seen as the price for persuading developing nations to agree to continue negotiations on a new UN climate change accord, scheduled for adoption in 2015. This new UN agreement is intended to include carbon reduction commitments by emerging economies, not just from developed or so called 'Annex I' nations as is the situation at present. Between now and the next UN Climate Conference, in Qatar, in December 2012, the UNFCCC members will begin to consider how, and from whom, this money is going to be raised.

A high level working group set up by the UN Secretary General and chaired by the premiers of Norway and Ethiopia has appeared to suggest that some US\$16 billion per year could be raised from international shipping. But in a more recent World

IMO agreement on technical regulations will reduce ships' CO₂

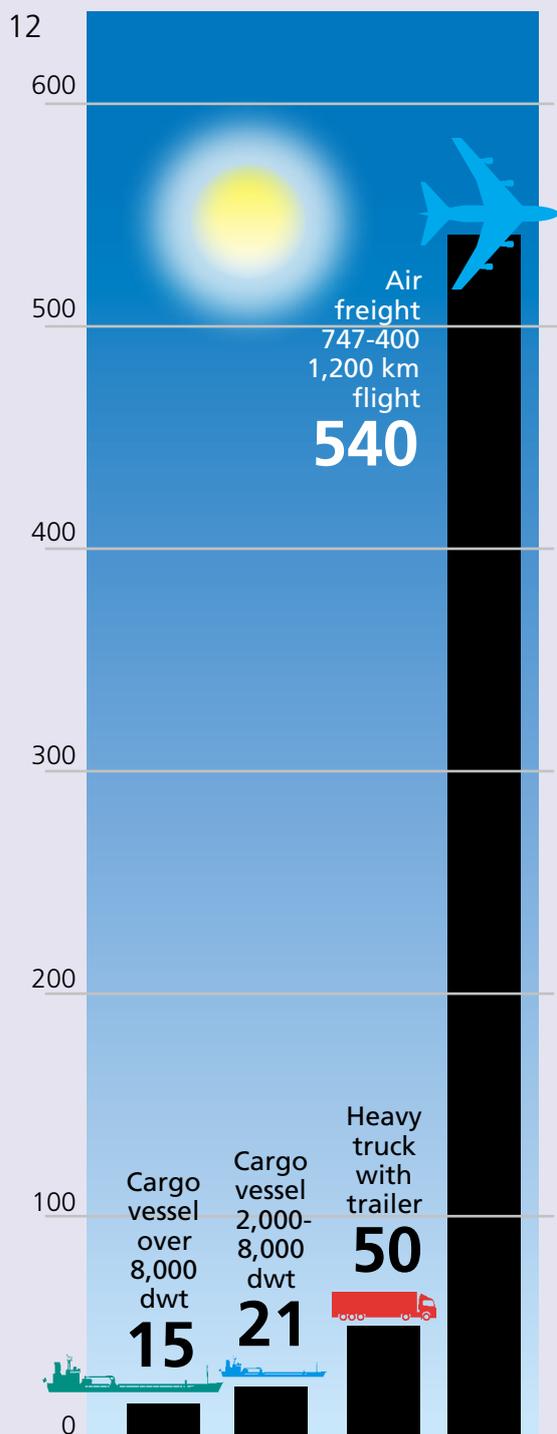
MARPOL Annex VI, Chapter 4 adopted July 2011





Comparison of CO₂ emissions between different modes of transport grams per tonne-km

Source: NTM, Sweden



Towards an IMO MBM

ICS is leading industry representation on the discussions at IMO to develop a Market Based Measure for shipping, with IMO having a view to adoption in 2014.

In 2011, ICS members took the important decision to declare the industry's preference for an MBM directly linked to fuel consumption, rather than an emissions trading scheme (ETS). If governments decide that an MBM should be adopted, ICS members have agreed that a mechanism linked to fuel consumption is the one that most shipping companies could probably live with in order to ensure a level playing field and the avoidance of serious market distortion, concluding it would be far simpler to manage and more transparent than an ETS.

In a welcome move, the IMO Secretary-General has announced the intention of IMO to conduct a full impact assessment of the various MBM proposals, with detailed terms of reference to be developed in 2012.

Bank report, prepared for the G20 Summit in Cannes in November 2011, it was suggested that shipping should contribute some US\$25 billion per year. And the demands do not stop there. Some governments have publically suggested that only a proportion of any money collected from shipping should actually go into the Green Fund, and that a significant chunk should go straight into the treasuries of the governments collecting it, implying that the charge imposed on shipping could actually be even more, perhaps as much as US\$40 billion per year.

The position of ICS is that if governments decide that shipping should contribute to the Green Fund, then the payments should be proportionate to shipping's contribution to the world's total CO₂ emissions. To contribute the kind of sums which the World Bank has suggested would be totally inequitable

and almost certainly viewed by many emerging economies as a tax on trade – a form of 'green protectionism'.

However, the paramount goal for the shipping industry is the avoidance of 'double charging' through contributions to the UNFCCC and via any MBM agreed at IMO. There would therefore seem to be a need for a clear linkage between any IMO MBM and any shipping contribution to the Green Fund.

The other political reality that shipping has to address is the UNFCCC principle of Common But Differentiated Responsibility (CBDR), whereby the emission reduction commitments accepted by developing nations are less than those of mature economies. The challenge has been how to reconcile this with the IMO principle of no more favourable treatment for ships under different flags. On



the one hand, the European Union threatens regional action if IMO fails to deliver on CO₂, while on the other, developing nations - led by China, India and Brazil - remain opposed to supporting an IMO agreement which they fear might prejudice their position at the high level UNFCCC negotiations.

In the event, with the industry's full support, IMO has already proved itself to be eminently capable of delivering a global solution for shipping which can be reconciled with the CBDR principle. The July 2011 agreement, which adopted binding global regulations for technical and operational measures to reduce ships' emissions, will enter into force in January 2013 and will apply to at least 90% of the world's tonnage. To address CBDR, the agreement included regulations on technology transfer and technical assistance for developing nations (although the details of how this will work are still

being hotly debated) as well as a flag state waiver with respect to the EEDI (although the industry has decided not to make use of this).

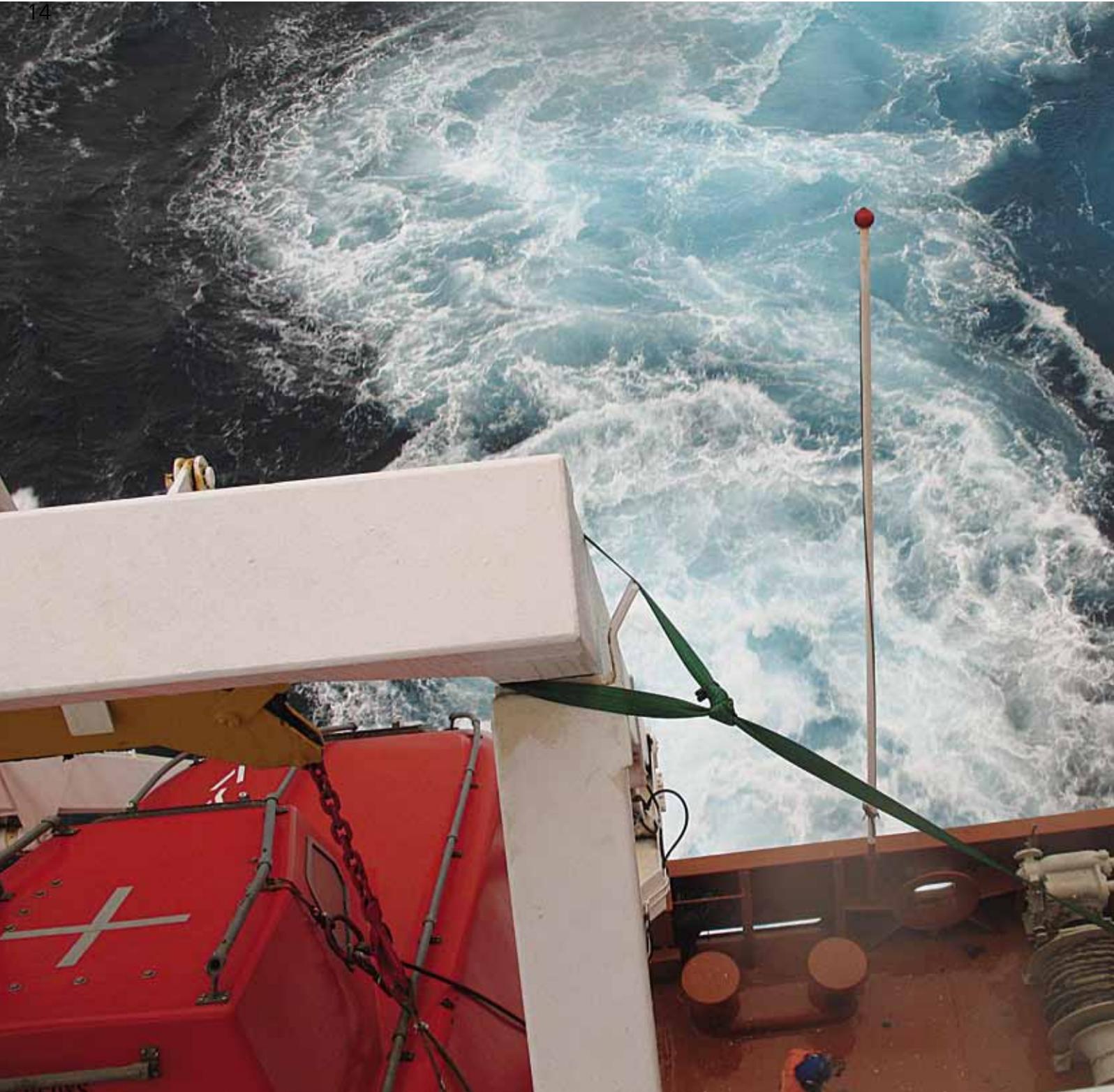
Securing support for an IMO MBM from nations like China and India will also require account to be taken of CBDR. However, reconciling the CBDR principle with an IMO MBM, which must apply equally to ships of all flags in order to avoid market distortion, will not be an easy task. But if any of the money collected by an IMO MBM was channelled to the Green Fund (perhaps via an IMO compensation fund into which money raised from shipping was paid) this could perhaps be a means of meeting the CBDR principle. Developing nations would be receiving more money than they were contributing, while preserving the level playing field for shipping. However, the challenge of persuading nations such as China and India to

agree to such an approach should not be underestimated.

ICS will continue to support IMO as the body where discussions about a shipping MBM and any contribution to the Green Fund should take place. However, the industry will firmly resist any notion that it can be regarded as a cash cow, and will continue to emphasise that the best means of delivering meaningful CO₂ emission reduction will be through technical and operation measures, rather than a mechanism whose principal purpose is simply to raise money.



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The Year in Review



Low Sulphur Fuel

In 2008, IMO adopted radical amendments to MARPOL Annex VI governing atmospheric pollution, which for most ships will require the use of expensive, distillate grade, low sulphur fuel. While the use of exhaust gas cleaning systems (scrubbers) is permitted as an alternative, it is still unclear whether these will be technically, environmentally, or economically viable for use on a widespread basis.

The enormity of this change, and its economic impact on shipping should not be underestimated. Fuel is by far the largest operational cost for shipowners and has already increased in price by about 300% since 2000. The current 50% price differential between distillate and residual fuel oil is predicted to increase further if the new demand that will be created by the MARPOL requirements is not matched by increased supply. Exhaust gas scrubbers, assuming they work, and that questions are resolved about the waste that is produced, have been predicted to cost in excess of US\$2 million per engine if fitted on board larger ships.

Perhaps the most controversial requirement in MARPOL Annex VI concerns the need for ships operating in Emission Control Areas (ECAs) to burn fuel with no more than 0.1% sulphur as from 2015. At present, the Baltic, the North Sea, and the entire West and East coasts of the US and Canada have been designated as sulphur ECAs by IMO, at the request of the governments concerned. This presents a major challenge for the oil refining industry which will have to expand the production of compliant low sulphur fuel to meet the new

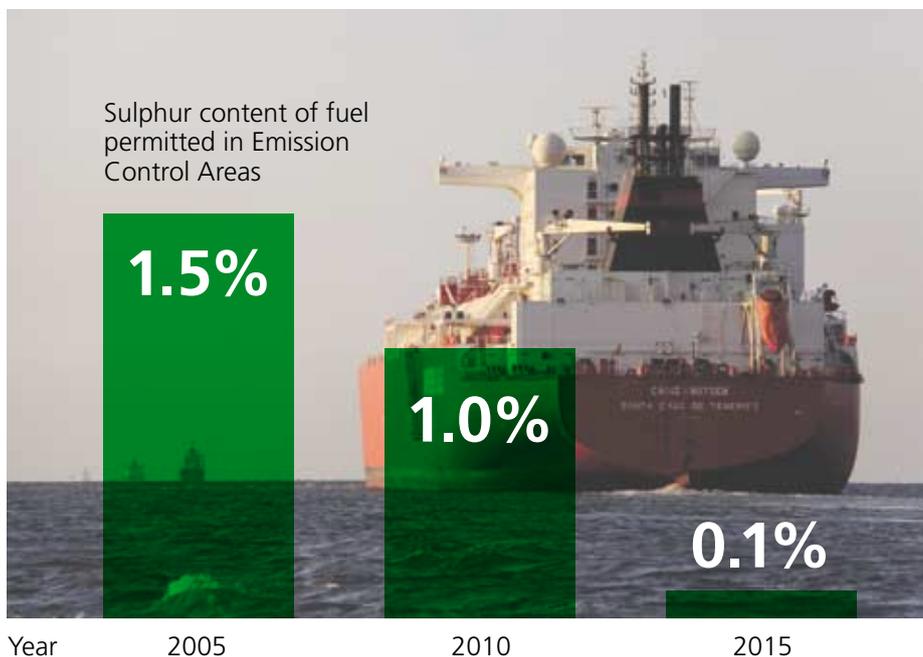
demand. This is complicated by the fact that it is not yet fully known which additional areas may be designated as ECAs. For example, the European Parliament has proposed that all EU waters within 200 miles of the coast should be declared as sulphur ECAs. Whether this will be accepted by EU Member States, or in turn will be supported by the scientific studies required to gain IMO approval, is still an open question.

When the MARPOL amendments were adopted, ICS welcomed the IMO agreement as an acceptable compromise, although this was in the context of the even more draconian measures proposed by many governments, and the threat by the EU to impose an immediate regional solution if IMO was unable to deliver a global agreement. However the implementation of the new requirements will be far from easy, and ICS is closely monitoring the progress that is being made to ensure that the demand from shipping for distillate fuel can actually be met. In the United States, it is still very unclear whether or not enough fuel will be available for the US shipping industry, let alone the huge amount of international shipping that trades in and out of the world's largest economy.

Recent studies supported by the European Community Shipowners' Associations (ECSA) have also suggested that the modal shift to land transport that will probably result from the application of the 0.1% limit on sulphur in fuel could greatly damage local short sea shipping while being detrimental to the local environment. This is also a big concern for Great Lakes trades affected by the US/Canada



IMO agreement to reduce atmospheric pollution from ships



ECA. These concerns are now shared by many governments, but it remains to be seen if any will request that IMO should now revisit the requirements.

While there is a formal mechanism in the IMO agreement to complete a review by 2018 of progress made towards meeting the demand for 0.5% sulphur fuel that is meant to be used outside of ECAs by 2020, ICS has been pressing IMO to start work now on developing a methodology that can consider all of the major changes required by the new regime. For political reasons, the US and EU governments have so far been reluctant to support the ICS proposal. But this issue of fuel availability is becoming increasingly pressing, and ICS will again make a formal written proposal to the IMO Marine Environment Protection Committee in October 2012.

Timetable for new limits to sulphur content in ships' fuel agreed by IMO

- 2010** - Emission Control Area (ECA) limit reduced to 1% (from 1.5%)
- 2012** - Global limit reduced to 3.5% (from 4.5%)
- 2015** - ECA limit reduced to 0.1%
- 2020** - Global limit to 0.5% but a review in 2018, with authority to delay implementation, will determine whether this is achievable.
- 2025** - Global limit to 0.5% notwithstanding the result of the 2018 review.

Ballast Water Management

The IMO Ballast Water Management (BWM) Convention was adopted with great urgency by governments in 2004, in order to address environmental concerns about damage to local aquatic ecosystems caused by the unwanted introduction of foreign micro-organisms, which is apparently facilitated by international shipping.

The adoption of the BWM Convention was a classic case of aspirational legislation. For reasons that are well understood, including the economic damage to the US economy from the unwanted influx of zebra mussels, there was huge political pressure for IMO to adopt the Convention eight years ago. But the equipment needed to comply with the new requirements, and the complex technical guidelines needed to ensure proper implementation, had not then been developed, which is why it is only now that governments are almost in a position to ratify.

Following an increase in the number of ratifications it had been expected that the Convention would enter into force during 2012. However, at an IMO meeting in January 2012, some major changes were proposed to important draft guidelines on ballast water sampling and analysis that will be used by port state control inspectors, which would be very damaging to shipowners if adopted. ICS made a strong statement at the end of the IMO meeting about the direction that had been taken and, supported by many flag states, these draft guidelines will now be reconsidered. However, this now means that these sampling guidelines will not be agreed until at least 2013, which in turn is expected to further



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delay the additional ratifications needed to bring the Convention into force. This creates other problems for shipowners due to the fixed dates by which existing ships have to install the very expensive new treatment equipment as required by the Convention's time line.

There are still genuine concerns about the availability of suitable equipment, the robustness of the type approval process, the huge expense of retrofitting existing ships, and the present limited possibilities for treatment systems for larger vessels. That said, progress is now being made to approve various ballast water treatment systems as an alternative to ballast water exchange at sea once this is no longer permitted.

Completion of this work is long overdue given that new ships are already meant to be constructed with these expensive new treatment systems. ICS has contributed significantly to this work and continues to provide a consultant to the GESAMP (Joint Group of Experts on the Scientific Aspects of Marine Environment Protection) Ballast Water Working Group that has been conducting the detailed assessment of the new equipment's environmental acceptability. Meanwhile, ICS continues to encourage full co-operation with local ballast water exchange requirements wherever it is safe for ships to do so.

So long as the BWM Convention has not entered into force, this will continue to encourage the development of local requirements that are at variance to those agreed by IMO (see separate item on United States Developments). The possibility remains of ballast water chaos.

Changes to MARPOL

In addition to the high profile discussions addressing CO₂ and other atmospheric emissions, a wide range of other environmental issues remain on IMO's agenda requiring detailed input from ICS. A large proportion of ICS resources is committed to participating in the ongoing work of numerous IMO Committees and working groups which are constantly updating environmental regulations and technical codes.

Meanwhile, at the 'high' political level, ICS plans to support IMO in its participation at the 'Rio+20' United Nations Conference on Sustainable Development in Brazil in June 2012. This will provide a unique opportunity to highlight the success that the industry and IMO have had in delivering continuous improvement in shipping's environmental performance through the development of a

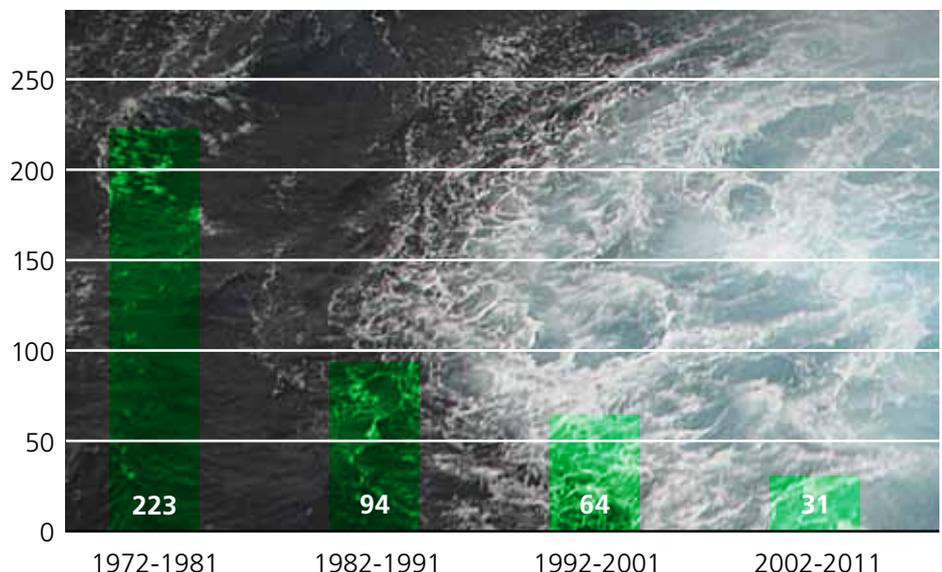
comprehensive regulatory framework and the widespread global enforcement of the International Convention for the Prevention of Pollution from Ships (MARPOL).

In July 2011, IMO adopted changes to Annex V of the MARPOL Convention, concerning garbage, that will enter into force in January 2013. These were supported by detailed guidelines adopted by the Marine Environment Protection Committee in March 2012. There is now a new requirement specifying that discharge of all garbage into the sea is prohibited, except where expressly provided otherwise (the discharges still permitted, in certain circumstances, include food wastes, cargo residues and water used for washing deck and external surfaces containing cleaning agents or additives which are not harmful to the marine environment). Following the parallel adoption by IMO of new Guidelines

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Reduction in number of major oil spills per year (over 700 tonnes)

Source: ITOPF



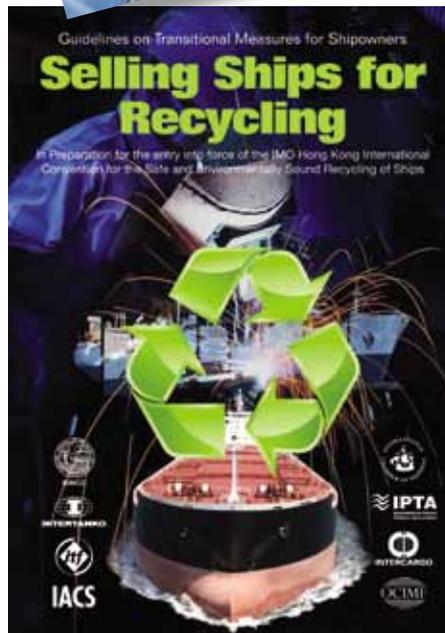


18 on Garbage Management Plans that must be carried on board ships, ICS will be reviewing its own model plan and best practice guidelines for shipowners.

Somewhat controversially, in July 2011 IMO also adopted amendments to MARPOL Annex IV concerning the prevention of pollution by sewage from ships, which include the possibility of governments establishing 'Special Areas' for the prevention of such pollution from passenger ships, and which designate the Baltic Sea as the first such Special Area. The impact of passenger ships with respect to nitrate pollution of the Baltic is widely acknowledged to be insignificant in comparison to major sources of pollution such as agriculture. The operational implications of compliance and the difficulties of finding suitable reception facilities are out of all proportion to the environmental benefit. The real concern, however, is the precedent this might create for the introduction of all sorts of other MARPOL 'Special Areas' being established, potentially applying to all ship types. ICS has already had to counter suggestions that the Annex IV Special Area might also apply to cargo ships which typically have 20 persons on board as opposed to 2,000. There is a danger that such special pleading by coastal states may gradually serve to erode the concept of a truly global regulatory framework.

Ship Recycling

ICS remains firmly committed to the early entry into force of the IMO (Hong Kong) Convention on the Safe and Environmentally Sound Recycling of Ships, not least through the promotion of the inter-industry



Guidelines on Transitional Measures for Shipowners Selling Ships for Recycling, whose development was led by ICS. The industry Guidelines are specifically intended to help improve safety and environmental conditions in recycling yards in advance of the entry into force of the new Convention.

ICS continues to co-operate in an ambitious IMO programme to promote the new Ship Recycling Convention. In March 2012, IMO adopted further guidelines on implementation for Parties supported by guidelines for the authorisation of ship recycling facilities. It is very much hoped that these will now be applied by those governments with authority over the vast majority of facilities which are located in Asia. The early identification of sound recycling facilities should greatly assist efforts by shipowners to meet their responsibilities on a voluntary

basis in advance of the Hong Kong Convention entering into force.

Shipbuilding Standards

The maintenance of high standards of ship construction is of the utmost importance. The objective of ICS is that shipbuilding standards will continue to be taken forward so that with an appropriate level of maintenance, and adequate margins for corrosion, future ships will be constructed so that they will continue to be 'fit for purpose' throughout their typical 25 year life span.

ICS continues to participate in a cross industry initiative, co-ordinated by the International Association of Classification Societies (IACS) to provide guidance on the harmonisation and amendment of the Common Structural Rules (CSRs) for bulk carriers and tankers. The intention is to provide a harmonised set of rules, for use by all class societies, on common aspects of hull structure design, supplemented by dedicated sections on the specific requirements for these two ship types. IACS has been overwhelmed by the huge number of comments received from shipowners, a large proportion of which have led directly to proposals for rule changes. While the careful attention being given to this feedback from industry is very welcome, it seems that the finalisation of the new rules, so that they may be submitted to governments at IMO (for use with the IMO Goal-based Standards initiative) is now likely to be delayed until 2013.

Closely related to the IACS CSRs, IMO continues to finalise arrangements for the implementation of the 2010 amendments to the SOLAS



Convention concerning the new 'Goal-based Standards' (GBS) for the construction of bulk carriers and oil tankers of 150m or over in length. It has now been resolved that class societies should pay for the GBS verification process, but questions remain as to whether there is an adequate number of suitably qualified auditors.

In China, in October 2011, the Chairman led an ICS delegation to the latest round of 'Tripartite' discussions about shipbuilding standards with representative organisations of shipowners, classification societies and shipyards. Topics considered included: measures to reduce CO₂ emissions including the application of the EEDI and requirements to ensure the provision of adequate ship's power; the challenges presented by the implementation of the IMO Ballast Water Management and Ship Recycling Conventions; and the review being undertaken by IACS of its Common Structural Rules. ICS will be co-ordinating the arrangements for the next Tripartite meeting to be held in Korea in November 2012.

Cargo Safety

The transport of goods by ship may sometimes involve a high degree of physical risk due to the dangers presented by the harsh conditions that often prevail at sea. For the most part these are risks that can be successfully and safely managed by ship operators and their crews. However, such risks can be seriously multiplied when insufficient care is given to the safe loading of cargoes, a factor which is sometimes beyond shipowners' direct control. While IMO has been very successful with respect to ensuring that shipbuilding standards and





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20 safe navigational procedures are widely enforced by governments, the rigorous application of IMO standards does not always extend so effectively to those actions that occur far beyond the ship/port interface.

These fears have recently been brought home in a most disturbing manner. There is now very serious concern (and anger) throughout the industry about the recent loss of several ships carrying nickel ore/iron ore fines loaded in India, the Philippines and Indonesia, apparently due to cargo liquefaction causing cargo to shift dramatically. Some cargoes, it seems, are being deliberately misdeclared. Especially upsetting was the tragic loss of 22 seafarers on the 'Vinalines Queens' after loading a nickel ore cargo in Indonesia, in December 2011. It must be stressed that such problems are not confined to Asia, with bulk carrier operators reporting that the water content of iron ore cargoes is being similarly misdeclared by shippers in Brazil.

ICS acknowledges that the issues are complex, but the root of the problem would seem to be the refusal of some shippers to allow the appointment of independent surveyors to conduct cargo testing in accordance with IMO requirements, plus the commercial pressure placed on Masters to accept potentially unsafe cargoes at what are often remote locations. The prevention of similar incidents is an utmost priority. In co-operation with IMO, Intercargo (which represents bulk carrier operators) the International Group of P&I Clubs, and the governments of those nations where problems seem to exist, ICS is endeavouring to help find a solution that will assist shipowners and Masters to resist any pressure to accept unsafe cargoes.

Meanwhile, container shipping companies continue to be concerned by the incidence of shippers providing incorrect container weights, and the need to ensure that marine terminals always verify the weight of loaded containers against the cargo manifest, prior to loading on board ship. Following a proposal to the IMO Maritime Safety Committee made by ICS and the World Shipping Council (WSC), IMO has been considering how it might establish a new international regulatory requirement to address this problem.

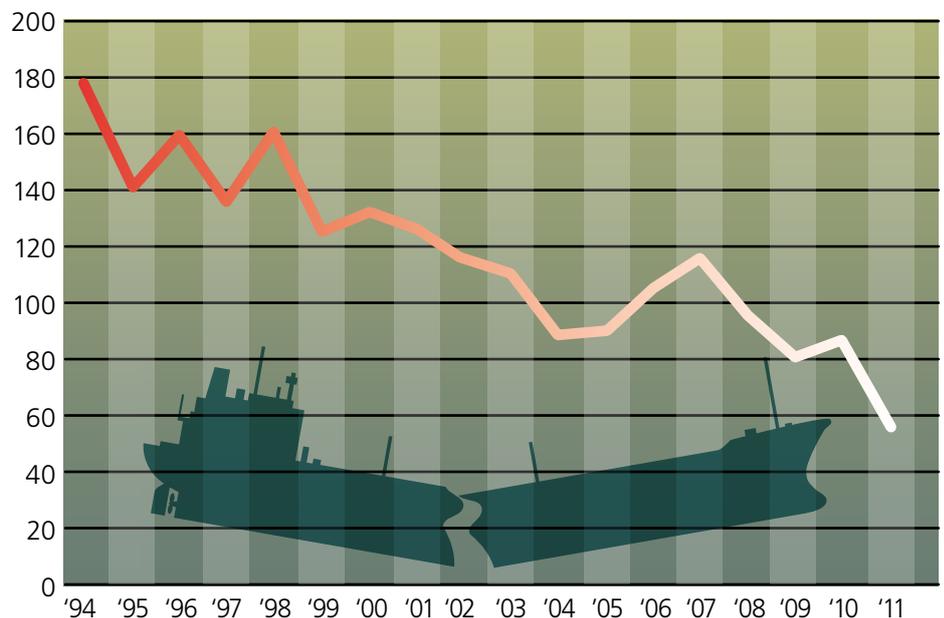
The industry's aim is that all exported cargo containers should have their weights verified, and that this information should be confirmed by the marine terminal upon receipt, and before vessel loading, and made available to the ship operator so it can be used for stowage planning. As well as improving safety, such a

measure would help to address wider security concerns about the content of containers. In a welcome move, the International Association of Ports and Harbors (IAPH) gave its support to this initiative at the end of 2011.

Disappointingly, for reasons not entirely clear, some governments have so far been lukewarm about the industry proposal to amend the SOLAS Convention and it remains to be seen how the concept will be taken forward during 2012. But in the absence of a requirement that container weights declared by shippers are verified by terminals it seems likely that a substantial number of containers will continue to be misdeclared and that overweight containers will continue to pose a serious risk to safe ship operations, to ships' crew, and to other personnel in the transport chain.

Total losses 1994-2011 by number of vessels (over 500 GT)

Source: IUMI





Tanker Safety

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In 2012, IMO will be approaching the end of a major review of tanker safety that is set to result in some important regulatory changes. This was in response to a major report by an Inter Industry Working Group on Fires and Explosions on Board Tankers, to which ICS contributed with the Oil Companies International Marine Forum (OCIMF) and Intertanko, and which was presented to IMO in 2007 following a sequence of sometimes fatal explosions on tankers.

ICS has played an active part in the discussions at IMO on the extension of the practice of 'inerting' cargo tank atmospheres. At a meeting of the IMO Fire Protection Sub Committee in 2011, an important decision was made with respect to the proposed new mandatory requirements for the inerting of chemical tankers. The new carriage requirements will apply to new ships over 8,000 dwt. In conjunction with the International Parcel Tankers Association (IPTA), ICS had highlighted the environmental impact of operating IG equipment, and had indicated that a carriage requirement for sub 5,000 dwt chemical tankers could be problematic. The IMO decision is therefore compatible with the ICS position. Subject to the adoption of the new regulations by the Maritime Safety Committee in May 2012, this development will be addressed in a new edition of the ICS Tanker Safety Guide (Chemicals) which ICS intends to finalise in 2013.

ICS fully supports the proposals to amend SOLAS to provide for the application of inert gas (IG) to new oil and chemical tankers above 8,000 dwt. It should be noted, however, that IMO decided that the possible extension of new measures to existing tankers of less than 20,000 dwt would only be



considered in the light of experience gained following introduction of IG on new ships of 8,000 to 20,000 dwt. However, a serious explosion in Korea in January 2012 which involved a small chemical tanker might put renewed pressure on IMO to accelerate its consideration of IG for existing ships, as might a major fire on board a chemical tanker that occurred in the Gulf during March 2012 (which involved the additional drama of local ports refusing to provide a place of refuge for the stricken ship, contrary to IMO Guidelines).

It is important to recall that a disturbing conclusion of the original industry report that informed the IMO review was that otherwise competent and qualified seafarers are still prone to bypass accepted procedures during cargo operations, and that this had been a factor in a number of sometimes fatal explosions on tankers. The solutions are complex, involving matters that do not always readily lend themselves to prescriptive regulations, such as how to further inculcate a genuine 'safety culture' amongst ships' crews, which the new edition of the ICS Tanker Safety Guide Chemicals will seek to address.

Malacca and Singapore Straits

Each year there are more than 70,000 transits by ships through the Straits of Malacca and Singapore, which is one of the world's most strategically important international waterways, linking the Far East to the Indian Ocean, the Middle East and Europe. While wishing to help ensure navigational safety and environmental protection of the Straits, the long standing objective of ICS has been to encourage the maintenance of the principles of freedom of navigation

governing international waterways as enshrined in the United Nations Convention on the Law of the Sea (UNCLOS), so that individual ships are not charged for safety services. However, this has had to be reconciled with the challenge faced by the littoral states of Indonesia, Malaysia and Singapore in financing navigational safety.

ICS has conducted a detailed survey of incident reports which it is anticipated will result in the development of proposals to enhance the management of traffic in the Straits. In October 2011, ICS presented the report's findings to the maritime administrations of the littoral states at a meeting in Kuala Lumpur.

Only a very small proportion of transits result in accidents or near misses. However, the ICS survey has identified heavy shipping traffic, inappropriate speed and the loss of situational awareness as significant factors that need to be addressed. The ICS report praises the skill and professionalism of those managing, operating and navigating ships in the Malacca and Singapore Straits. However, it is imperative that safety continues to be prioritised. ICS has therefore also suggested that improvements could be made with respect to the location of pilot boarding areas and the timing of pilot departures. There is also concern about the understanding and use of navigation systems such as ECDIS, AIS and radar, both at sea and ashore. Of the incidents examined, which involved a range of vessels from tugs to tankers, 68% resulted in collisions.

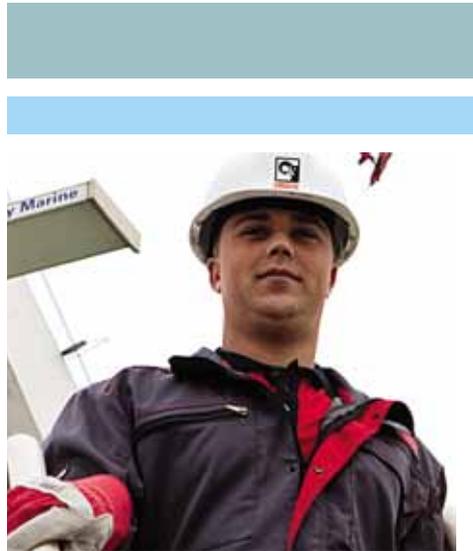
Encouragingly, the littoral states have welcomed the ICS report and are already taking measures to further

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24 improve navigational services in the Straits. In conjunction with ICS, it is hoped that they will make a joint submission to IMO, advising on the current status of this important work.

Meanwhile, although it has taken somewhat longer than expected, the littoral states are about to start conducting sea trials in the Straits with respect to a Marine Electronic Highway (MEH), although a number of issues need to be resolved such as whether an AIS component will be incorporated. While it is ICS's intention to request that ships actively participate in these trials, this will not be possible until detailed planning is complete and the infrastructure is fully in place. ICS has stressed the importance of standardisation and interoperability between shore based components of e-navigation in order to avoid shipping having to communicate with unharmonised e-navigation resources in different geographical regions. The question of free access during the trials to these MEH data services, in accordance with UNCLOS principles, also still needs to be resolved.

E-Navigation and ECDIS

ICS welcomes the great potential of e-navigation for improving navigational safety. However, ICS continues to emphasise the need for a 'user focused' approach, so that e-navigation is not driven solely by ideas from equipment manufacturers or the availability of new technology. ICS is currently engaged in detailed discussions at IMO, and also within the International Association of Marine Aids to Navigation and Light House Authorities (IALA), about the implementation of IMO's e-navigation strategy. This includes user needs and services, and the

technical specifications of various shipboard devices. In particular, ICS is still seeking to ensure that national authorities will not regard Virtual Aids to Navigation as a cheaper means of providing statutory services, and that they continue to be seen as a complement rather than a replacement for physical aids to navigation.

A pressing issue concerns arrangements for the introduction, in July 2012, of the new mandatory IMO requirements for ECDIS (Electronic Chart Display and Information Systems), which ICS has long supported provided that the industry's definition of 'sufficient Electronic Navigation Chart (ENC) availability' can be met before the phased-in carriage requirement becomes effective. ICS has been closely monitoring progress at the International Hydrographic Organization (IHO) towards meeting the ENC coverage necessary to make the mandatory carriage of ECDIS viable.

In particular, ICS has been engaged with the IHO and other interested organisations in discussions over potential 'operating anomalies' that have been identified with ECDIS. A test has been developed by IHO that all companies have been encouraged to use in order to detect such anomalies. Disturbingly it has become apparent that not all ECDIS systems may be fully effective, with a third of those tested reportedly failing to display significant underwater features in the 'standard' display mode. At least one manufacturer has confirmed to IHO that earlier versions of its ECDIS will not display some types of wreck and underwater obstructions in any display mode, necessitating the continued use of paper charts.

In view of concerns about full ENC

coverage and ECDIS operating anomalies, ICS is also questioning proposals by Australia (and other governments) to amend the SOLAS Convention with the effect of prohibiting the operation of ECDIS in the Raster Chart Display System (RCDS) mode. There are also worries about the ambiguity of suggested new rules on updating relevant hardware on board that could imply that ship operators might constantly have to replace very expensive equipment.

With the carriage of ECDIS about to become mandatory, ICS continues to highlight the importance of training seafarers in its use. ICS has therefore contributed to the production of guidance on issues of competency and training which has been co-ordinated by the Nautical Institute. ICS has also submitted its own detailed proposals on ECDIS training requirements to the IMO Sub Committee on Standards of Training and Watchkeeping which meets in May 2012. These suggest best practice recommendations for the timing of delivery of ECDIS training for both new and existing seafarers, taking account of present requirements for upgrading training as contained in the 2010 amendments to the STCW Convention.

Training Standards

The competence of seafarers is a most critical factor in the safe and efficient operation of ships, and has a direct impact on the safety of life at sea and the protection of the marine environment. The IMO Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW) constitutes a comprehensive set of regulations intended to maintain the highest standards of competence globally. In particular, the



STCW Convention places important responsibilities on maritime employers.

In January 2012, wide ranging amendments to the STCW Convention entered into force, having been adopted by a Diplomatic Conference in Manila in June 2010. With immediate effect, companies are now required to comply with the new STCW minimum rest hour provisions for seafarers (see page 27). Many of the other new requirements will be phased-in between now and 2017.

Some governments are now expected to begin applying the new STCW requirements on a national basis, such as enhanced five yearly refresher training, or the new mandatory requirements for the on board training of ratings to be documented. This includes training for the new STCW grades of Able Seafarer Deck and Able Seafarer Engine, which many flag states are expected to

require existing ratings to undergo in order to comply with their minimum safe manning requirements.

From January 2013, all new seafarers commencing training will be required to do so in accordance with the new training and competence standards in STCW 2010. However, until 2017 governments may continue to renew and revalidate existing certificates in accordance with current STCW provisions which applied immediately prior to January 2012.

Numerous amendments were adopted by IMO to take account of recent technical developments requiring new shipboard skills, such as the use of Electronic Chart Display and Information Systems (ECDIS) or the need to give more emphasis to environmental management. But the changes also cover such matters as new training requirements for leadership and teamwork, enhanced

refresher training for qualified seafarers, as well as the introduction of detailed standards of competence for the new grade of Able Seafarer mentioned above. There are also new competence tables and training requirements for personnel on oil and chemical tankers and gas carriers.

Although not a direct responsibility of companies, the industry will wish to ensure that as many governments as possible comply with the revised requirements to report to IMO the actions that have been taken to implement the new STCW standards. This will be necessary, by July 2013, if governments wish to maintain a place on the IMO 'white list' of nations that have demonstrated continuing adherence to STCW standards, so as to avoid port state control difficulties for their ships, or flag state recognition problems for seafarers working on foreign ships to whom they have issued STCW certificates.



ICS anticipates that there may be a need to clarify the interpretation of how some of the new standards are to be applied, for example with regard to how new refresher training should be implemented, delivered and assessed or when the new security training requirements enter into force. There is already evidence that some maritime administrations may be intending to apply the new requirements over zealously.

The overriding objective of ICS and its member national shipowners' associations is that the standards required by the STCW Convention, as amended in 2010, are put into effect as soon as possible, and that the highest standards of seafarer competence will continue to be maintained worldwide. In 2011, ICS therefore published a new edition of the ISF Guidelines on the IMO STCW Convention to advise shipping companies and shipboard personnel of their fundamental obligations as required by the 'Manila amendments'. As well as providing advice on compliance, the Guidelines also give background information on the philosophy underlying the competence-based approach to training which the STCW Convention seeks to promote.

In 2012, ICS aims to complete its ambitious schedule of revising its widely used ISF on board training record books to take account of the Manila amendments. Updated On Board Training Record Books for deck and engine ratings (including the grades of Able Seafarer Deck and Engine) have already been published, and revised training record books for deck and engine officer trainees should be published in the first half of 2012. ICS/ISF is currently in discussion



with major labour supply nations such as the Philippines about the use and approval of the updated books.

As a result of the STCW amendments, employers should now generally have far greater confidence in the validity of seafarers' certificates, regardless of the country of issue. This is not to say that questions about the quality of training in many training institutes have been eradicated completely. However, there is now a clearer sense that all seafarers working internationally are part of the same global profession, in which the paramount importance of safety of life at sea and the protection of the marine environment is far more widely recognised.

Work Hour Regulations

The prevention of fatigue amongst ships' crews and its potential impact on safety is a major priority for the industry and its regulators. In January 2012, as a result of the entry into force of Chapter VIII of the IMO STCW Convention, new and stricter regulations came into force governing seafarers' hours of rest. The minimum rest that must be received in any 7 day period is now 77 hours rather than 70 hours and the flexibility previously permitted by the '2 day derogation' rule under the IMO rules has now been removed so that seafarers must always have 10 hours rest in any 24 hour period with no exceptions (apart from during emergencies). A most important requirement is that shipping companies are now required to maintain, on a mandatory basis, individual records of seafarers' hours of work and rest that may be subject to inspection by port state control.

The rationale for the new STCW requirements, which were adopted in 2010, was to ensure that the IMO requirements are compatible with those contained in the ILO Maritime Labour Convention (MLC) once it enters into force. The task of IMO was complicated because the regimes adopted by IMO and ILO were developed for different purposes. STCW prescribes minimum rest hours from the safety perspective, while the ILO Convention also takes account of social issues, such as the point at which additional payments for overtime should normally be made and the extent to which work hours may be subject to negotiation between employers and unions in collective bargaining agreements - issues outside the remit of IMO.

ICS is satisfied that the changes to minimum rest hours agreed by IMO are fully compatible with the ILO requirements, although in practice they are somewhat stricter. In reality, given that the STCW amendments have already entered into force they are likely to become the default regime for port state control inspectors. An important aspect of STCW 2010 is the so called 'Manila exception' clauses which continue to permit occasional deviation from the normal minimum rest hours provided compensatory rest is provided. While lacking the flexibility of the old '2 day derogation' rule, this will allow some flexibility during periods of peak work load, particularly important for short sea operators. However (with the exception of emergencies) all seafarers are now prohibited from being on duty for more than 14 hours within any 24 hour period.

Many companies are now ensuring that they are maintaining accurate

records of the hours of work and rest on board ship by using the ISF Watchkeeper software, which, as well as producing individual seafarer's records in the format recommended by ILO and IMO, allows companies and crews to ensure that they comply fully with both the ILO and IMO limits. An upgraded version of ISF Watchkeeper Version 3, which allows account to be taken of the new IMO STCW rest hour limits, was launched during 2011.

Employment Relations

An unusual feature of international shipping, which observers from outside the industry sometimes find surprising, is that there is a powerful and global seafarers' trade union in the form of the International Transport Worker's Federation. The ITF has a direct impact on seafarers' employment and working conditions on a worldwide basis. Whether employers like it or not, the ITF is probably as relevant today as when it was founded over 100 years ago, although the employment conditions enjoyed by seafarers in 2012 are of course greatly improved and compare extremely favourably to those which they would receive in similar jobs ashore.

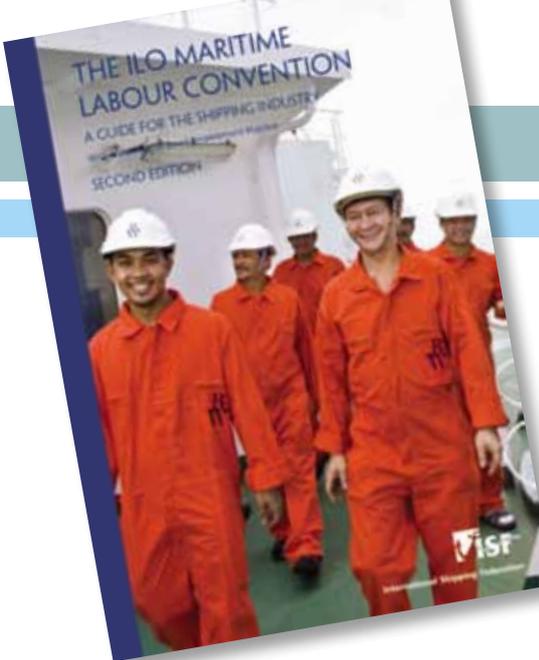
At the 2011 Annual General Meetings of ICS and ISF, the decision was taken to fully integrate the two associations. However, the International Shipping Federation is the identity which ICS will continue to use when addressing labour relations questions as a 'partisan' employer's organisation. As part of a major strategic review which led to the decision to integrate ICS and ISF, one of the important issues identified was the need to strengthen dialogue with ITF at both strategic and working levels. The



aim of member national shipowners' associations, which have their own relationships with their national trade unions that are affiliated to ITF, is to be actively co-operative on non-contentious practical matters, but to stand firm when required.

ISF has a long standing institutional role with ITF as its official 'social partner' at the International Labour Organization (ILO), and has common cause with ITF national union affiliates on many issues such as piracy and the unwarranted criminalisation of seafarers, as well as matters relating to the regulation of safety and high quality training. In the sphere of employment relations, however, the characteristic relationship between ISF and ITF has sometimes been more confrontational, primarily due to ITF's 'Flag of Convenience Campaign' against open registers, and its insistence that ship operators pay ITF minimum wage rates in the face of the threat of boycott action by its dock worker affiliates.

In recent years, however, less emphasis perhaps than hitherto has been given to this more difficult aspect of relations with ITF. In part this has been due to the positive focus given by both sides to the successful development of the ILO Maritime Labour Convention and its subsequent implementation. The relationship between ISF and ITF has also evolved due to the emergence of the International Maritime Employers' Committee (IMEC), which comprises individual companies, and is now an associate member of ISF/ICS, and the establishment of the International Bargaining Forum which conducts international wage negotiations with ITF. ISF's historic refusal to negotiate directly with ITF about seafarers'



terms and conditions, which is a matter for individual companies and their national associations, is therefore less of an issue. Relations with ITF have also improved following the resumption of discussions at the ILO Joint Maritime Commission about a revision of the ILO Minimum Wage for Able Seafarers (see page 30).

In May 2012, in order to explore means of further improving co-operation, ISF held a high-level meeting between senior representatives of national shipowners' associations and ITF union affiliates in London, the first such meeting outside of the institutional setting of the ILO for over 10 years. It is hoped that this will be first of several meetings at which ISF and ITF members will be able to identify issues on which they can collaborate more effectively, while maintaining dialogue on those matters on which there may still be fundamental differences of approach.

Maritime Labour Standards

For the large majority of seafarers, employment conditions at sea already match, or in most cases comfortably exceed, those that they could obtain in shore based employment at home. However, the maintenance of good employment conditions is crucial to the industry's ability to attract and retain the competent and well qualified seafarers on whom it depends.

Following ratification by a growing number of flag states including the major open registers (26 of the 30 nations required, at the time of writing) the ILO Maritime Labour Convention (MLC) is expected to enter into force globally very soon, probably during 2013. The required

tonnage threshold has already been achieved and companies therefore need to be ready to ensure full implementation and compliance with the MLC standards.

The ILO MLC addresses a wide range of matters including, amongst others, the obligations of shipping companies with respect to seafarers' contractual arrangements, the responsibilities of manning agencies, working hours, health and safety, crew accommodation, catering standards, and seafarers' welfare. As an official social partner, under the tripartite ILO process, ISF was responsible for negotiating the text of the Convention on behalf of maritime employers, with governments and seafarers' trade unions. ISF therefore has a very special interest in wanting to assist the Convention's smooth implementation.

An important aspect of the Convention's enforcement will be the issuance by flag administrations of Maritime Labour Certificates, usually following inspection by a Recognized Organization such as a classification society, appointed by the flag state. There is also a separate requirement for ships to maintain a Declaration of Maritime Labour Compliance. Importantly, compliance with the MLC will be subject to port state control as well as to inspection by flag administrations.

In December 2011, in Geneva, ISF co-ordinated shipowner representation at a major tripartite meeting of governments, employers and unions which agreed terms of reference for a Special Tripartite Committee that will oversee proposals for amendments to the ILO MLC once it enters into force. The Chairman

of the ISF Labour Affairs Committee, Arthur Bowring (Hong Kong) served as the employers' spokesman, supported by 25 delegates from national shipowners' associations.

The vast majority of companies should not have any difficulty complying with the substance of the Convention, since this is largely derived from existing ILO maritime standards and accepted good employment practice. However, the enforcement mechanism is new, and it will be important to avoid teething problems as some of the more detailed requirements are applied and interpreted.

During the course of 2012, ISF expects to publish an updated edition of its Guide to the MLC. The first edition was produced shortly after the MLC was adopted in 2006, and sought to introduce ship operators to their obligations under the new regime. In the intervening period, much work has been done by several ILO tripartite working groups, comprising governments, unions and national shipowners' associations to ensure that all concerned understand their responsibilities. This second edition has therefore been updated to take account of these recent clarifications from ILO. Additional guidance has also been added in order to help maritime employers apply the ILO standards in a practical manner.

It is hoped that the second edition of the ISF Guide will prove useful in assisting shipping companies in preparing for the implementation of the MLC by governments, whether in their capacity as flag states, port states or labour supply nations. ISF's intention is to promote and help



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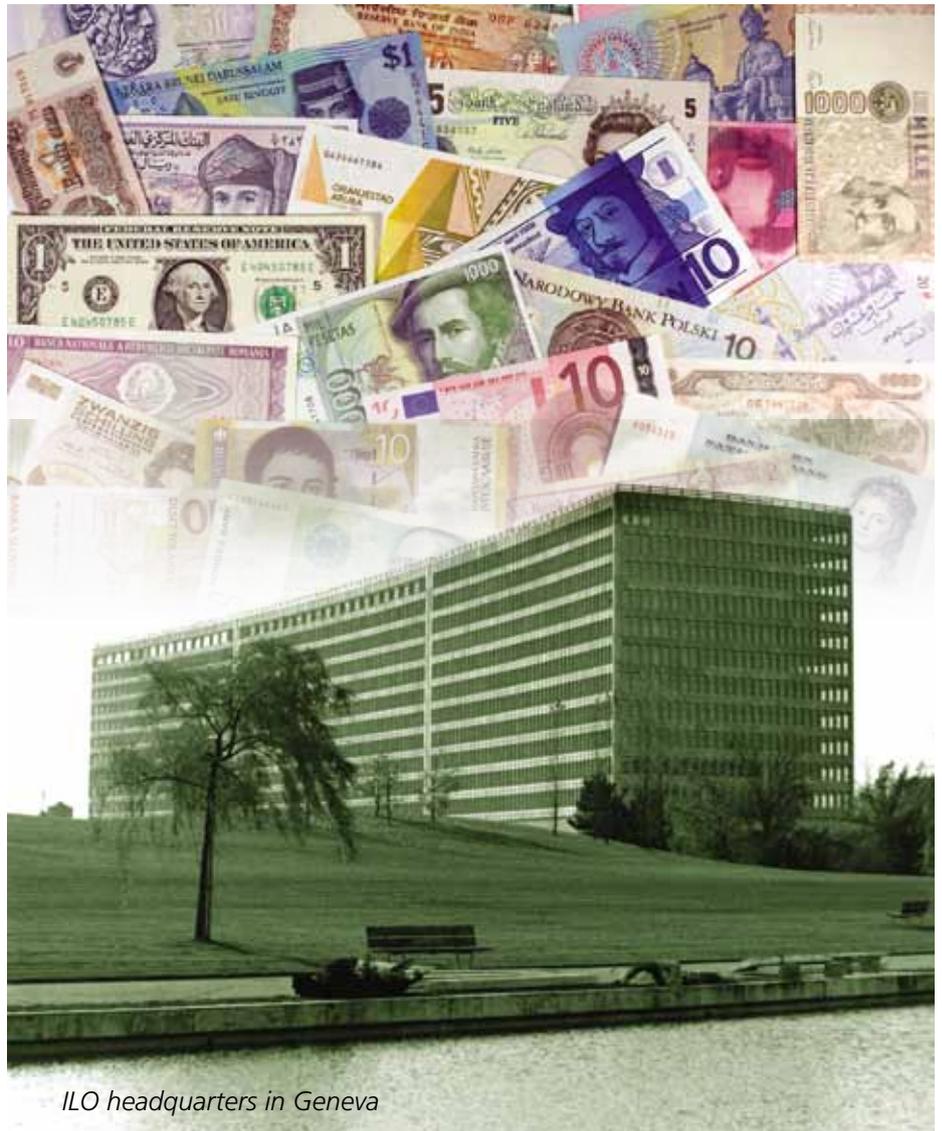
30 deliver the global level playing field of decent maritime labour standards that both the shipping industry and seafarers require.

ILO Minimum Wage

About two thirds of the world's 1.5 million merchant seafarers come from developing countries. While wage rates are commonly affected by a seafarer's country of residence, the shipping industry generally provides high levels of remuneration to all those employed at sea. Indeed, the shipping industry is probably unique in that it has a mechanism for recommending minimum acceptable international wage rates.

The Minimum Wage for Able Seafarers is agreed by the International Labour Organization (ILO) Joint Maritime Commission (JMC) which comprises representatives of national shipowner's associations and seafarers' unions. ISF (the identity used by ICS when acting as an employers' organisation) is the co-ordinator of the Employers' Group at the JMC while the International Transport Workers' Federation (ITF) co-ordinates seafarers' representation. Unlike other ILO institutions, the JMC is bipartite and does not involve governments.

In January 2012, the ILO Minimum Wage for Able Seafarers increased to US\$555 a month from the previous figure of US\$545 which had come into effect in 2009 in line with an earlier schedule of agreed increases. This latest increase followed an agreement by the JMC which met in Geneva at the end of April 2011. In reality, the JMC has agreed a four year deal whereby the ILO minimum wage will increase to US\$568 for



ILO headquarters in Geneva

2013 and US\$585 for 2014, with no further revision expected to take effect until at least 2015. This will hopefully provide employers with the stability they need during the difficult economic circumstances anticipated in the years ahead.

ISF believes that the new ILO

wage figures are realistic given the continuing uncertainty created by the global economic crisis. ISF had previously explained to ITF that employers simply could not agree to any immediate further increases. However, while many unions recognised the need to help safeguard employment for seafarers, some



unions were clearly disappointed by this response. The JMC therefore agreed to adopt a schedule of increases that will apply until 2015.

ISF remains strongly committed to the principle of the ILO Minimum Wage recommendation which is now referenced in the new ILO Maritime Labour Convention, although it has in fact existed for over 50 years. While it is only recommendatory, and is not directly relevant to other seafarer grades, it has a strong moral authority and is particularly important for employers in developing countries. The ILO Minimum Wage also influences many collective bargaining agreements, including those enforced by ITF, and is sometimes referred to in legal rulings.

The ILO Minimum Wage is substantially higher than that paid for comparative work ashore in developing countries. Moreover, the actual minimum wage is significantly higher, typically perhaps 50% more, once overtime hours (fixed at a minimum of one and a quarter times basic pay) and other mandatory ILO requirements, such as payments for leave entitlements, are taken into account. It is also only a minimum. Most ratings from developing countries receive significantly more, while officers receive substantially more, with differentials between officers from OECD and developing countries continuing to narrow.

Asian Developments

To a certain extent, some parts of the shipping industry have been shielded from the effects of the global economic slowdown by continuing growth in Asia, driven especially by China's inexorable expansion and its seemingly insatiable demand for raw materials. However, in early 2012, China announced its intention to subtly rebalance its economy, with less emphasis on massive further infrastructure growth and a redirection of resources into increased personal consumption. While China is still expected to continue to grow at an impressive rate, this shift in policy could eventually have implications for the future expansion of China's demand for shipping services. In the longer term, moreover, it has also been suggested that as wage differentials between Chinese workers and those in other emerging economies reduce, there may be a relocation of manufacturing towards Latin America and, in particular, to Mexico with its close proximity to the United States. More immediately, however, with most of the Eurozone now in recession the current concern is that this is likely to have a direct impact on maritime trade as the import of Chinese products is reduced.

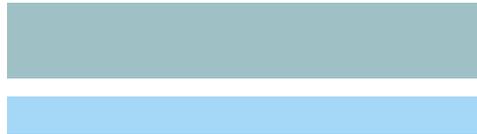
On the regulatory front, Asian nations generally have a track record of being less inclined towards the adoption of unilateral shipping regulations at variance with international standards agreed by IMO. However, one issue that ICS has been following closely has been the China Pollution Regulations. The Regulations came into effect in 2010 and introduced new operational and liability requirements for shipowners. Implementation of the requirement

to contract with local Ship Pollution Response Organisations (SPRO) in order to enter Chinese ports commenced from 1 January 2012 and was enforced in all ports from March. In November 2011, at the invitation of the International Group of P&I Clubs, ICS and representatives of the China and Hong Kong Shipowners' Associations met with the Chinese Maritime Safety Agency in Beijing. Shipowners' concerns about the ability to comply with the requirement to pre-contract with an approved SPRO by the initial 1 January 2012 implementation date were conveyed, along with concerns about the very high SPRO retainer fees that had been quoted. The initial implementation process has been problematic but it is hoped that it will be smoother going forward.

It is generally accepted that the centre of gravity of the shipping industry is moving towards Asia. A positive development is that Asian maritime administrations have become increasingly confident and articulate when presenting their views at fora such as IMO, not least on issues such as the regulation of CO₂. In particular, ICS has found common ground with China with respect to its emphasis on efficiency improvements, as opposed to setting absolute targets for emission reductions as favoured by the EU. India has also made an important contribution to the debate by warning of the dangers of CO₂ regulation being applied as a form of green protectionism. In a welcome move, in December 2011, India ratified Annex VI to the MARPOL Convention governing atmospheric emissions, which also includes the technical and operational measures for CO₂ reduction agreed by IMO in July 2011.



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As reported elsewhere, ICS has welcomed the pragmatic approach of Asian authorities towards the development of maritime competition regulation. This includes the adoption, in June 2011, of guidelines concerning non-rate fixing agreements such as consortia, by the Asia Pacific Economic Co-operation forum (APEC) which is becoming increasingly active on maritime issues.

ICS continues to enhance its good relations with the Asian Shipowners' Forum (ASF) whose membership comprises national shipowners' associations, many of which also belong to ICS. As a sign of this increasing co-operation, ASF has participated in recent meetings with the Consultative Shipping Group (CSG) of maritime administrations organised by ICS, while the ASF Secretary General now attends ICS Board meetings. In May 2012, in Australia, the ASF Annual Meeting will for the first time be held back-to-back with that of ICS.

EU Developments



During 2012, the situation in Europe is expected to be dominated by the continuing crisis with respect to the long term viability of the Euro. This has been brought about by the diverging economic circumstances within individual EU Member States, not least with respect to increasing unsustainable levels of sovereign debt. EU leaders, in numerous crisis summits, have sought to respond by providing support to failing economies such as Greece, as well as pumping huge amounts of money into the Eurozone banking sector as a whole. However, the jury is still out on whether the

single currency will weather the storm and hold together in the longer term. While the current recession in the Eurozone will almost certainly have a negative impact on global shipping markets, if the Eurozone crisis worsens the effect on the world economy could be very serious indeed. More immediately, however, the European debt crisis also means that a major source of ship financing has virtually dried up, with most of the major shipping banks being located in Europe.

Despite the political and economic turmoil in Europe, the EU institutions remain committed to taking forward their agenda with respect to maritime regulation. In co-operation with the European Community Shipowners' Associations (ECSA), ICS seeks to ensure that proposals in Europe remain compatible with the global maritime regulatory framework which the shipping industry requires.

Notwithstanding IMO's achievement in adopting a package of international regulations to reduce shipping's CO₂ emissions, the European Commission is proceeding with the development of regional measures for shipping in the event that IMO is unable to reach agreement on Market Based Measures. While this decision is disappointing, the time scale for the implementation of such measures is believed to be five years, and the Commission is understood to remain serious in its preference for a global solution to be agreed at IMO. Nevertheless, in consultation with ECSA, ICS has submitted comments to a formal consultation by DG Climate Action, disputing the rationale for a regional regime and reiterating opposition to the inclusion of shipping into the EU Emissions Trading Scheme (ETS). In public, the European Commission is



still open minded about applying the ETS to shipping. But the application, in January 2012, of a regional ETS to international aviation, has not been a pleasant experience for the Commission which has had to face vigorous opposition from the United States and China, amongst others, who have indicated they may take retaliatory measures such as cancelling orders for European aircraft. It remains to be seen whether the EU will back down with respect to aviation, but if it should do so it is difficult to see how an ETS could then justifiably be applied to shipping, which unlike aviation already has an international agreement in place that will dramatically reduce emissions.

As discussed elsewhere in this Annual Review, other important EU files include: the draft Directive on the implementation of the IMO regulations on sulphur emissions, which may include the extension of Emission Control Areas; its response to the 'Costa Concordia' cruise ship disaster, and the implementation of the EU Passenger Liability Directive; and the ongoing investigation by the Competition Directorate of the International Group of P&I Clubs. The continuing commitment of the EU to counter-piracy operations in the Gulf of Aden is also most important and is greatly appreciated by the international shipping industry.

Another most important issue is the current review of the EU State Aid Guidelines for the Maritime Sector which will decide whether to permit the continuation of tonnage tax regimes in Europe. The review is important because EU tonnage tax schemes have provided a model for similar regimes that are now applied by governments throughout the



world, and are vital for shipping in order for it to operate in what are volatile and highly cyclical global markets. However, the review is complicated because it is being overseen by the Competition Directorate rather than DG MOVE as has previously been the case, the former perhaps not being so familiar with the unique circumstances that apply to shipping. At the request of ECSA, ICS is therefore submitting comments to the Commission in favour of the maintenance of the status quo.

US Developments



Unlike Europe, the US economy is showing signs that it is beginning to recover, although whether this will be sustained far beyond the Presidential election in November 2012 is unknown, as is the extent to which this will feed into increasing demand for shipping. An interesting development is that the United States is gradually reducing its dependency on foreign energy supplies as it dramatically increases its exploitation of shale gas. In November 2011, the Administration also announced its proposed five-year plan for offshore oil drilling which called for the opening of new areas in the Gulf of Mexico and Alaska. Another interesting 'known unknown' is the impact that the expansion of the Panama Canal (which is due to be completed in 2014) will have on US shipping trades, especially containers.

In view of the run-up to the Presidential elections, legislative activity within Congress is expected to be limited, although US Federal regulatory agencies still have a full agenda, while individual US States



continue to seek to implement rules at variance to both Federal and international requirements. Indeed, one characteristic of the Obama Administration that has been a source of frustration for shipping has been the apparent reluctance of the current US Administration to defend Federal regulations from infractions by US States.

A positive development in April 2012 was the publication by the US Coast Guard of its final rule making on ballast water treatment, which adopts a 'kill standard' for marine micro-organisms which matches that adopted in the IMO Ballast Water Management Convention. However, serious questions remain as to whether the US standards for type approval of equipment (in line with its Environmental Technology Verification Program), or the ballast water sampling standards that will be used to inspect ships trading to the US, will be consistent with those expected to be adopted by IMO in 2013. The door is also still open for the Coast Guard to introduce more stringent treatment standards if it is established that the technology has become available in the future, which will be of concern to those shipowners investing money into expensive treatment equipment now. Moreover, the problem remains of some individual US States still considering the implementation of treatment standards 100 times more stringent than what has been agreed at IMO and for which the equipment required simply does not exist.

ICS is also engaged in the ongoing saga of California's unilateral air pollution rules, which in contravention to UNCLOS apply to ships within 24 miles of the US Coast even if not calling at a Californian

port, and are still subject to legal challenge by the Pacific Maritime Association. However, following US ratification of the IMO MARPOL requirements on sulphur emissions from ships, it is hoped that the temptation for individual US States to develop their own environmental rules will diminish.

A particular example of unwelcome regulation adopted by an individual US State is that adopted by Massachusetts. This stipulates that visiting tankers that do not elect to comply with certain additional requirements will be subject to financial liabilities in excess of those set out in Federal law in the event of a pollution incident. The issue for ICS has been one of principle, due to the encouragement that this coercive law might give to other US States to take their own unilateral actions, which will result in conflicting regulations. In co-operation with other industry associations, ICS has therefore been involved with a legal challenge. The intention of the action was to make the US Coast Guard defend its own regulations. Disappointingly, however, the Coast Guard has so far shown little interest in doing this for what are principally assumed to be political reasons.

Trade Sanctions

One of the major political dramas being enacted in 2012 is the action being taken by the international community in response to Iran's nuclear programme. In a worst case scenario, tension in the Middle East could lead to closure of the Straits of Hormuz through which so much of the world's oil passes, with dramatic effects on oil prices and the recovery of the world economy. However, the immediate preoccupation for ICS

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has been the challenge presented by sanctions legislation.

In co-operation with the International Group of P&I Clubs, ECSA and the Chamber of Shipping of America, ICS has sought to provide information via national associations about the impact on shipping companies of sanctions against Iran announced by the European Union and the United States. It remains to be seen whether other important trading nations will introduce similar sanctions.

There is undoubtedly a need for governments to provide greater clarity and uniformity with respect to the application of sanctions, whether in the context of Iran or other nations, such as Syria, to which they might be directed. The situation is not helped by the fact that governments no doubt want their sanctions legislation to be as ambivalent and flexible in its interpretation as possible, in order to further their foreign policy objectives.

The sanctions so far enacted against Iran have an impact far beyond EU or US operators, even for ships flagged in and trading to countries outside the EU and US. This is because most marine insurance (and reinsurance) is based in London; while US legislation will prevent tanker operators that call in Iran from trading to the US.

Although many questions raised by shipowners have been addressed by extensive advice produced by the International Group of P&I Clubs, there is still some uncertainty as to the precise scope of the sanctions, particularly with regard to their impact on compulsory insurance cover as required by the Civil Liability (CLC) and Bunkers Conventions for oil pollution.

The new EU sanctions announced in January 2012 extend to the carriage of petrochemical products and crude oil, and will fully apply to any existing contracts from May and July respectively. These actually build upon previous sanctions relating to any items that might assist Iran's nuclear programme in terms of the territory and the entities to which they apply. In short, the sanctions apply to shipowners incorporated or domiciled in EU nations, to ships registered in or flying the flag of an EU Member State, and to all vessels, regardless of place of registration, which trade to EU ports.

However, the EU sanctions also apply to insurers within the EU, prohibiting them from issuing or maintaining insurance with regard to any sanctionable activity or trade. They therefore apply to P&I Clubs (and their reinsurers) as well as to hull insurers (and their reinsurers), which are incorporated, domiciled or regulated within an EU Member State. Most P&I Clubs, and a large proportion of hull insurers, are located in Europe, while most reinsurance is provided in London or in the United States, where it will also be affected by the US sanctions.

With specific regard to third party liability insurance provided by the International Group of P&I Clubs (IG), the EU sanctions will also affect vessels that would otherwise fall outside the jurisdiction of EU Member States, even if such vessels have their P&I insurance with a non-EU registered P&I Club. This is because such a Club (if an IG member) will be unable to obtain access to reinsurance from the EU based Clubs via the IG Pooling Agreement. A non-EU Club will also be unable to access market

reinsurance cover from other EU based reinsurers.

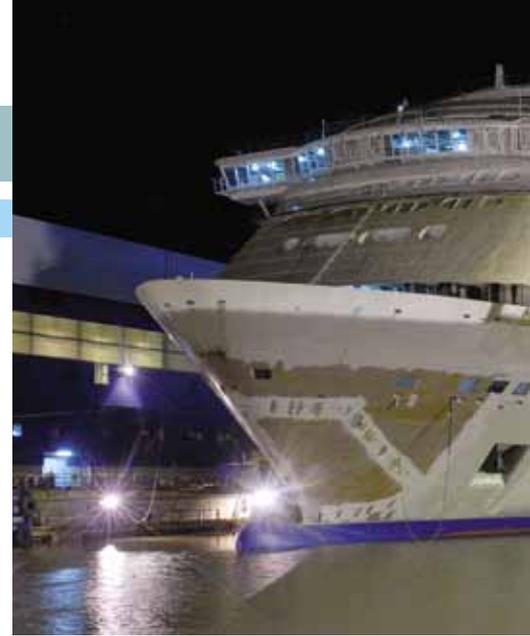
All International Group Clubs have included in their rules, in one form or another, either express sanctions to cover termination or exclusion provisions for imprudent or improper trading. The effect of these rules is to withdraw or exclude cover in relation to sanctions offending voyages. In other words, if a shipping company undertakes such a voyage its liabilities will not be insured by the International Group.

This restriction will therefore also have an impact on any compulsory insurance certification required by IMO Conventions (while payment for liabilities that are subject to compulsory insurance may also be caught by the prohibitions in the sanctions). As a consequence, shipowners in breach of sanctions may also be violating flag state law, even if the flag state is not connected with the EU. As well as monetary fines, penalties may include detention of the vessel and suspension of the vessel's certificate of registry.

In April 2012, it was still uncertain what the exact scope of the sanctions would be. However, the concern remains that those responsible for developing sanctions policy may have little understanding of the wider consequences for shipping and trade, many of which may be unintended.



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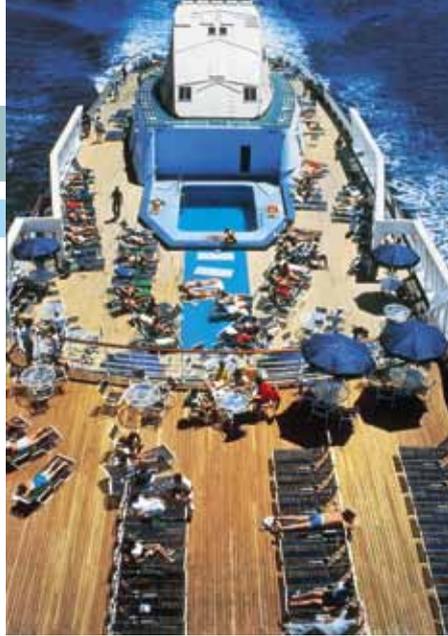
LLMC Increases

In April 2012, the IMO Legal Committee agreed significant increases to the limits of liability under the Limitation of Liability for Maritime Claims Convention 1996 (LLMC). Under the IMO 'tacit amendment' procedure, the 51% increases will come into effect in 2015. In addition to general maritime claims, the LLMC limits also apply to claims under IMO Conventions governing liabilities for bunker spills (other than claims covered by the Civil Liability Convention) and wreck removal once the Nairobi Convention enters into force.

The increases were made at the initial request of Australia in response to the 'Pacific Adventurer' bunker oil spill in Queensland in 2009 where the clean-up costs were thought to have exceeded the applicable limitation amount. Australia had support from 20 co-sponsoring nations, which meant that the fact the limits would be increased was probably never in doubt. In the event the real debate was about the quantum of the increases. Australia had made it clear from the outset that it was seeking the maximum amount possible via the tacit amendment procedure, namely 6% per year calculated on a compound basis from 1996. However, Japan was firmly of the view that the increases should not be higher than the rate of inflation during the relevant period (some 2.7% per year compounded).



Throughout the debate at IMO over the past two years, ICS observed that the industry was open to a discussion of increases, but that these had to be based on the criteria specified in the 'tacit amendment' procedure, namely



the claims history, inflation, and the effect on the cost of insurance.

Some nations continued to express doubt as to whether any increases were justified in view of the statistics compiled by the International Group of P&I Clubs. These showed that only a small number of claims had not been compensated fully under the present limits. There was also a robust discussion about how inflation should be calculated with many states supporting the Japanese position. It was acknowledged that it was not possible to quantify the effect of increased limits on insurance premiums because that would depend on future claims. But if a major incident now occurs that is subject to the higher limits, then this is likely to be reflected in increased premiums soon afterwards.

ICS believes that the final increases agreed by IMO are a reasonable calculation. It remains to be seen what economic impact the new limits will have on the industry after they come into effect in 2015. However, it is to be hoped that the increases will ensure that the principle of limitation of liability will be maintained, which is vital if shipowners are to continue to have access to affordable insurance. It is also hoped that the new limits will not deter less developed nations from subscribing to the LLMC.

Passenger Ship Liability

Questions relating to passenger liability insurance are likely to receive additional attention as a result of the 'Costa Concordia' cruise ship tragedy. However, the immediate focus of ICS is the implications of the entry into force of the 2002 Protocol to the IMO Athens Convention (which is expected

soon following ratification by EU Member States) not least the need for certification of insurance cover for terrorism and war risks.

In co-operation with ECSA, and the International Group of P&I Clubs (IG), ICS is also seeking to address the similar problems that may arise as a result of the enforcement of the EU Passenger Liability Regulation (PLR) with which ship operators must comply from 31 December 2012, and which broadly mirrors the IMO Athens Protocol requirements.

The issues are complex, but the thorny issue of terrorism cover has hampered implementation of the IMO Protocol since IMO Members States first rejected industry arguments that terrorism is an attack on society at large and that the costs should therefore be borne by governments. Instead IMO decided that the provision of such cover should be left to the market.

The potential liabilities to which the Clubs might be exposed under the Athens Protocol are huge, perhaps in excess of US\$5 billion per ship in a worst case scenario. The P&I Clubs communicated their difficulties in providing cover for terrorism (which could have implications for the insurance they provide to non-passenger shipping) and a compromise was arrived at by the IMO Legal Committee in 2006, whereby cover for terrorism could be limited to US\$500 million. However, this IMO compromise was underpinned by a scheme proposed by the insurance broker Marsh Ltd. While Marsh has advised its scheme will be up and running in time for the application of the EU PLR at the end of 2012, questions about the scheme's viability

continue, and it is still unclear what the rates will be and whether larger ships will be covered.

Although the IG P&I Clubs have now decided to issue certificates of insurance for the non-war risks arising under the EU PLR and the IMO Athens Protocol, they have yet to decide on the provision of IG Club cover for the war/terrorism risks.

In October 2011, ICS met with EU governments to obtain their views on the structure of the insurance vehicle proposed by Marsh Ltd, and from the limited responses received it would seem that governments will accept it, notwithstanding the practical difficulties that might arise for claimants in the aftermath of a casualty, such as the need to deal with a multiplicity of insurers for their individual indemnities. The governments' approach appears to be guided by a general understanding that such cover might not be available elsewhere and that this is the best that can be obtained from the commercial market. But it is uncertain whether they are fully *au fait* with all of the potential complexities involved

Given the complication of having to have separate terrorism cover, the industry is trying to persuade governments to develop a common position with regards to port state acceptance of insurance certificates. ICS and ECSA are also encouraging governments to ensure that when ratifying the Athens Protocol they make the important reservation, as agreed and recommended by IMO, with respect to shipowners' liability for war and terrorism risks. However, some detailed discussions will be needed between now and the end of the year.



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40 Environmental Salvage Awards

In co-operation with the International Group of P&I Clubs, ICS continues to lead shipowner representation on salvage issues, particularly in relation to the smooth operation of the Lloyd's Open Form and SCOPIC (special compensation) regime.

ICS is maintaining its firm opposition to proposals from the International Salvage Union (ISU) for a new separate award for 'environmental salvage' when salvors have carried out operations in respect of a ship or cargo which has presented a threat of damage to the environment. ICS is deeply sceptical about the proposal, believing that salvage services are already generously rewarded under the present system.

A working group established by the Lloyd's Salvage Group, in which ICS participates, has reached a stalemate following the ISU's inability to demonstrate that its proposal would improve salvage response, or deliver cost savings to those paying for salvage services. However, the ISU has succeeded in persuading the Comité Maritime International (CMI), the international association of maritime lawyers, to give consideration to its proposals for a revision of the IMO Convention on Salvage and also to amend the Lloyd's Open Form (LOF).

Despite the lack of industry consensus, a CMI working group has already started work on possible amendments to the LOF. ICS regards this development with particular dismay since it appears to involve the discussion of proposals to amend what in effect is a private contract without the involvement





of at least one of the parties, whilst bypassing the long standing forum already established to carry out such work which is the Lloyd's Salvage Group. In March 2012, ICS and the International Group of P&I Clubs wrote formally to CMI, setting out shipowners' concerns in the strongest possible terms.

The ISU's proposals with respect to environmental awards will be discussed further at the CMI Conference, in Beijing, in October 2012 at which ICS will be represented. Given that CMI does not plan to invite detailed presentations to be made on these issues by all of the interested parties, it is of the utmost importance that the report of the CMI working group is as balanced as possible and reflects the division within the industry. The CMI should also bear in mind that amendments to IMO Conventions have to be proposed by governments, and that the IMO Legal Committee is unlikely to entertain proposals that fail to demonstrate any compelling need.

ICS does not believe that the proposals concerning environmental salvage enjoy the support of most national maritime law associations, and in March 2012 ICS published a detailed position paper reiterating the arguments as to why they should not be supported.

Rotterdam Rules

ICS continues to promote the ratification of the Rotterdam Rules on cargo liability which were formally adopted in 2009 by the United Nations Commission on International Trade Law (UNCITRAL). The Rotterdam Rules are intended to replace outdated cargo liability

regimes such as the Hamburg and Hague/Visby Rules, taking account of modern multi-modal transport and 'door to door' delivery practices.

ICS recognises that the new rules may not be perfect, and in some respects are overly complex. However, maintenance of the status quo is not a realistic option. If the Rotterdam Rules do not take hold then the United States and the EU will almost certainly pursue their own regional regimes and the opportunity for global uniformity will be lost for another generation. Following a thorough and detailed analysis of the Rotterdam Rules, ICS members have therefore concluded that the new regime must be strongly promoted by the shipping industry in order to avoid the risk of a proliferation of regional cargo liability regulations.

Encouragingly, the United States appears to be committed to the early ratification of the Convention. With the full support of US carriers and shippers, the State Department has prepared a file to be put before Congress which is expected to take this forward after the 2012 Presidential Election. This will almost certainly give critical momentum to the process of ratification worldwide, with China and other Asian nations likely to wish to align their regimes with the US. Meanwhile, although some parts of the European Commission, who may have been influenced by the European Shippers' Council (ESC), have been ambivalent about the UNCITRAL Convention, for the moment at least the EU has put aside plans for a regional cargo liability regime, and many EU States are proceeding towards ratification. Moreover, the doubts about the Rotterdam Rules displayed by the ESC



are not shared by the Global Shippers' Forum which embraces US and Asian shippers.

While those who were deeply involved in the negotiations, such as ICS, are clear about the need to encourage governments to ratify and implement the Rotterdam Rules, there still appear to be reservations in some quarters, including in Asia, about the benefits of the new regime. An ongoing priority for ICS, in co-operation with local national associations and bodies such as the Asian Shipowners' Forum, is to explain to these interests why the Rotterdam Rules should be supported.

Competition Issues

Compliance with competition law is most important given that even 'technical' violations by shipping companies can result in penalties amounting to tens of millions of dollars. In May 2011, most of the major international container lines were presented with a sharp reminder of this when the European Commission launched a dawn raid on numerous company offices. Apparently this was to establish that its major shake-up of competition rules in 2008 is being fully complied with. It is understood that the European Commission was not responding to any particular complaint; nor is there reason to believe that there has been any non-compliance. (However, in March 2012, the European Commission also demonstrated its power by fining 14 international logistics companies, including UPS and Kuehne & Nagel, €169 million for collusion with respect to security surcharges.)

The above notwithstanding, in

those parts of the world where they are still permitted, ICS policy is to defend the continued existence of liner conferences and other similar exemptions to competition law such as discussion agreements. The EU Competition Directorate, however, continues to argue forcefully that its foreign trading partners should follow its unilateral example of making shipping companies' participation in such mechanisms illegal.

ICS has therefore welcomed the publication, in February 2012, by the United States Federal Maritime Commission (FMC) of its detailed study of the impact of the EU prohibition on US trades. Many of the FMC's conclusions appear to support the ICS position in favour of the maintenance of the status quo with respect to current antitrust immunity that applies in non-EU trades.

Based on its examination of the period 2006-2010, the FMC has concluded that the repeal of the EU Block Exemption has apparently not resulted with any relative decline in EU freight rates compared with Far East/US trades. In other words, shippers in EU trades have not been advantaged as a result of the EU decision compared to shippers in Far East/US trades where the EU prohibition does not apply. There also appears to have been an increase in rate volatility in EU trades, compared to Far East/US trades, and the FMC suggests that the activities of discussion agreements that are still permitted in non-EU trades may have had a 'dampening effect' on rate volatility.

A Bill introduced to the US Congress in 2010 proposed removal of much

of the antitrust immunity which is still enjoyed by the international liner industry in US trades. Fortunately, this Bill is now dead and little further action is anticipated until after the Presidential elections in November 2012. The FMC has reached no firm conclusions as to whether any changes are warranted with respect to current US competition regulations such as the Ocean Shipping Reform Act. However, the FMC study does seem to provide evidence in support of maintaining the status quo should there be further calls for the US to follow the example of Europe.

Meanwhile, in Asia, following on from the decision by Singapore that its block exemption from competition rules for liner shipping agreements will be extended until 2016, ICS has welcomed the similar decision by Japan, in June 2011, to maintain its Antitrust Immunity System until at least 2015. Japan has also concluded that the EU repeal of antitrust immunity has led to increased volatility of freight rates in European liner trades, as well as a rise in surcharges levied by individual carriers. In addition, the Japanese government was concerned that the drastic rationalisation of liner services by individual carriers which has ensued since the downturn, and which has resulted with a reduction of available services, was partially a result of the lines' reduced ability to co-operate.

ICS has welcomed the agreement by the Asia Pacific Economic Co-operation forum (APEC), in June 2011, on guidelines on maritime competition rules, specifically for co-operation agreements which do not involve rate setting, such as consortia. Although a far looser form of co-operation than conferences,



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consortia have provided stability to markets, helping guarantee the maintenance of scheduled services to more remote destinations and permitting efficiencies such as slot sharing on containerships. In particular, consistent with arguments presented by ICS (and the World Shipping Council) at an earlier APEC consultation meeting in Tokyo, ICS has welcomed the recommendation that filing requirements should be left to the discretion of individual governments, since these are commonly requested by those governments which continue to allow a more flexible approach with regard to co-operation between shipping companies.

A number of other Asian jurisdictions are also reviewing the application of antitrust law to shipping as part of their development of general competition law. The latest country to do this is New Zealand. In September 2011, ICS submitted comments to the New Zealand Productivity Commission and urged the New Zealand government to consider the maintenance of practices permitted in the rest of the Asia-Pacific.

In January 2012, New Zealand released a draft report of its enquiry into international freight transport services which recommends that its exemption for ratemaking or capacity limiting agreements be repealed, but that the exemption for non-ratemaking activities should be retained, conditional on filing the agreements with the Ministry of Transport.





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EC Investigation of IG of P&I Clubs

ICS firmly believes that the current system of mutual third party liability insurance provided by the International Group of P&I Clubs (IG) continues to serve the best interests of ship operators and their customers extremely well, alongside serving the interests of claimants and the general public. In particular, the mutual insurance arrangements provided by the Clubs enable the provision of the very high levels of insurance required under international liability conventions, under which compensation to claimants is generally paid regardless of fault and without legal wrangles.

ICS is therefore closely following the European Commission's investigations of the activities of the

IG, the Commission having opened formal proceedings in 2010. The Commission had stated that it was simply conducting an investigation, and that this did not imply that there was any proof of infringement. The Commission had also advised that it had opened the investigation on its own initiative and that it had not received any formal complaints.

It was originally understood that the Commission wished to examine whether certain provisions of the IG Agreement and Pooling Agreement, notably the Group's claims sharing and reinsurance arrangements, might somehow lessen competition between the Clubs or restrict the access of commercial insurers or other mutual P&I insurers to the relevant markets. In bilateral discussions with the Commission, ICS and ECSA have

therefore emphasised that the mutual insurance arrangements provided by the P&I Clubs are efficient and cost effective. For their part, the Commission officials who were then involved had stressed that they were not intent on destroying the system but were interested in the quotation procedure, release calls, and the availability of commercial P&I insurance outside the International Group system.

In 2011 the Commission sent out questionnaires to individual shipping companies seeking further information on the application of the IG Agreement, and also requested detailed documentation and information from the IG Clubs. However, developments have been much slower than expected, apparently due to the appointment of a new team of case handlers.



Flag State Performance

In a globalised industry such as shipping, there is nothing inherently wrong with a regulatory system in which the flag which a ship chooses to fly is different to the country of beneficial ownership. In particular, ICS believes that generalised distinctions between the performance of open registers and so called traditional maritime flags are neither helpful nor relevant. Pejorative terms such as 'flags of convenience' have more to do with industrial relations issues of the 1980s than the situation which pertains to 2012. Flag states such as Bahamas, Liberia, Hong Kong and Singapore are amongst the very best performers in terms of their implementation of IMO and ILO requirements and port state control inspection records, while the ownership profile of many OECD ship registers now includes large numbers of foreign owned shipping companies.

Nevertheless, ICS believes that a balance has to be struck between the commercial advantages of shipowners selecting a particular flag and the need to discourage the use of any ship register that does not meet its international obligations. While it is shipping companies that have primary responsibility for the safe operation of their ships it is the flag state that must enforce the rules.

ICS has therefore been a strong supporter of the IMO Member State Audit Scheme and has welcomed the decision by IMO for the audits to become mandatory in 2014, once the first round of voluntary audits is complete. In March 2012, IMO finalised a draft of its IMO Instrument Implementation Code, which will underpin the mandatory scheme subject to adoption by the 2013 IMO Assembly. However, in the interests of transparency, ICS believes that the results of the IMO audits should be published, and that, as a minimum, information should be made available by IMO as to whether maritime administrations have actually put themselves forward for inspection. In the meantime, ICS has welcomed the decision of some of the major regional port state control authorities to request information as to whether audits have been conducted as part of their criteria for targeting inspections.

As a complement to the IMO Scheme, and as a service to the industry, ICS continues to produce its annual Shipping Industry Flag State Performance Table which collates various data available in the public domain and which can be downloaded from the ICS website. However, under the supervision of ICS's member national shipowners' associations, the presentation of the

Table for 2011 has been modified slightly in order to address feedback from governments, including comments at the IMO Flag State Implementation Committee which questioned some of the criteria used by ICS and whether the data might be presented in a more positive manner.

However, the purpose of the new Table is the same: to encourage shipowners to examine whether a flag state has substance before using it and to encourage them to pressure their flag administration to effect any improvement that might be necessary. ICS makes no apology for continuing to subject flag states to scrutiny, in the same way that ships and company procedures are rightly subjected to inspection by governments. The overriding interest in promoting high performing flags is that they are less likely to tolerate sub-standard operators who would otherwise enjoy an unfair commercial advantage over the vast majority of fully compliant shipping companies.

Shipping Policy and Free Trade

For the past four years the shipping industry has been confronted with unprecedented economic turmoil. Much of the industry is still struggling with the serious consequences of a truly massive contraction in economic activity, with global trade estimated to have declined by nearly 10% in 2009. While trade picked up a little, especially in Asia, the latest World Trade Organization projections for 2012 are not very positive and overall global trade is probably not much improved on the levels that existed before 2008. The practice of sound shipping policy by governments is therefore as important as ever.





46 Shipping policy involves long term engagement by ICS and its member national associations in the largely unseen diplomatic activity necessary to help ensure the maintenance of the open markets which the shipping industry needs to operate competitively and efficiently. Shipping also requires a regulatory 'level playing field' and, in view of the great market volatility being experienced during the current economic downturn, the continuation of the certainty provided by the tonnage tax regimes that now apply to shipping companies in most countries. In June 2011, ICS made these important points (as well as highlighting the issue of Somali piracy) as one of the leading industry participants at a major Conference of the world's transport ministers in Leipzig, organised by the OECD International Transport Forum, which has continued to focus on the implications for transport as it emerges from the economic downturn. ICS will again be representing the industry at the next OECD transport ministers' conference in May 2012.

More routinely, ICS continues to place great importance on relations with the Consultative Shipping Group (CSG) of governments, which is the guardian of maritime free trade principles. In June 2011, in co-operation with ECSA and the Royal Belgian Shipowners' Association, ICS held a seminar on trade policy for CSG governments at their meeting in Brussels. In conjunction with ASF and the Singapore Shipping Association, a similar event was organised in April 2012 at the CSG meeting held in Singapore which, inter alia, discussed the possible trade implications of

market based measures for CO₂ emissions.

ICS has continued to give input, via national associations, on issues ranging from problems of market access to government interference in local markets. The CSG is also a useful conduit for the discussion of sensitive diplomatic issues, such as the treatment of piracy.

In addition to the broader role of the CSG as a forum for discussion of shipping policy and trade issues, it still maintains its original function as providing a means for the world's major shipping nations to communicate with the United States government, which historically has often been slightly detached from the mainstream of the international shipping community. ICS will participate at the next CSG dialogue meeting with the United States, in Washington DC, in June 2012.

A major concern of ICS national shipowners' associations has been to discourage governments from responding to the current economic crisis with protectionist measures, which will only damage world trade further. More particular has been the need for governments to avoid measures that restrict fair and open access to shipping markets. A case in point, which received close attention in 2011, was the apparent attempts by the Chinese authorities to restrict access to Chinese terminals for the ultra large bulk carriers operated by the Brazilian iron ore producer Vale, although this issue now seems to have been settled satisfactorily. Likewise, whilst ICS has no opinion about the underlying issues surrounding the future of the Falkland Islands (Malvinas), any

restrictions by Argentina on ships that have called at the islands will be of great concern because of the negative precedent that could be set with respect to the maintenance of maritime free trade principles elsewhere.

Although of little immediate comfort to those individual companies that may still be struggling to survive, one consolation is that governments so far appear to have made a determined effort to avoid the excessive use of protectionist measures, (although in early 2012 some backward looking moves were proposed within the EU with respect to government procurement). But the recovery of the world economy is still far from certain, and it will remain important for ICS, and like-minded governments, to remain vigilant. In particular, ICS remains committed to the inclusion of shipping in any new agreement on services that may be agreed by the World Trade Organization (WTO), in order to codify the liberal trading practices which already apply to most shipping markets. However, progress towards a new WTO deal on trade remains slow, largely due to significant differences between governments on issues such as agriculture.

Shipbuilding Policy

Shipping, of course, is the servant of world trade and just as it benefited from the boom years of the mid 2000s its fortunes are now also inextricably linked to the recent fall in the demand for its services. But many of the problems confronting shipping have undoubtedly been exacerbated by shipowners placing orders for far too many ships, with far too few cargoes to carry. With

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vast amounts of new tonnage being delivered during 2012, in many trades there is now a major glut of ships.

Current markets would appear to be demonstrating just how seriously damaging the oversupply of ships has been to shipowners' revenues, with many now struggling to meet their operating costs. However, the problems of individual owners aside, the biggest danger perhaps is the overcapacity that exists in the shipyards, with an almost obsessive commitment to market share being displayed by the three major shipbuilding nations: China, Korea and Japan, where 90% of world tonnage is built. Even if shipyards go bankrupt, it is likely that their governments will step in so that they can continue to produce ships which few people want, other than speculators who may be foolishly tempted by knock down prices. However, a market might be found for otherwise unwanted Chinese ships by the Chinese fleet itself, with China having a widely recognised goal of seeking to carry a much larger proportion of its cargoes – perhaps 50% - on board its own vessels.

It is therefore a source of disappointment that the OECD has confirmed its decision to terminate negotiations on a new agreement to eliminate subsidies and market distorting mechanisms in the shipbuilding industry. This was primarily due to differences between the European Commission and Asian governments about the treatment of pricing of new ships in any new agreement, the latter wishing instead to concentrate on the elimination of subsidies - a position supported by ICS. However, the OECD Working Party on Shipbuilding will continue

to meet, in order to explore further what constitutes market distortion and the means of achieving greater transparency on government support measures. ICS will attend a meeting that OECD is organising in Paris in June 2012, with the goal of encouraging the resumption of the talks as soon as possible, even if little immediate movement is anticipated.

In view of the serious supply/demand imbalance that currently prevails it is clear that speculative ordering of ships that have no economic purpose should be discouraged. Whatever might seem rational from an individual company's perspective might not be good when seen in the context of the industry as a whole and the individual companies it comprises.

However, one thing on which ICS is clear is that it will resist any suggestion that all ships above a certain age should automatically be scrapped. ICS will continue to resist the concept of a maximum age for ships which, as well as damaging the commercial interests of large numbers of companies, would remove incentives to maintain older ships and would have negative implications for safety and environmental protection.

Canal Issues

The Panama and Suez Canals reduce the length of many sea voyages by thousands of miles, but the privilege of using them is expensive. Individual transits by large vessels can cost hundreds of thousands of dollars. While both Canals are dedicated to providing excellent service they are also very much committed to profit maximisation.

The current Administrator of the

Panama Canal, Mr Alberto Alemán Zubieta, who has been pivotal in overseeing the current Canal expansion and strengthening liaison with industry has announced that he will step down from his post later this year. ICS looks forward to working with his successor, Mr Jorge Quijano, who will take over in September 2012.

In January 2012, ICS hosted a meeting of international industry representatives with a delegation from the Panama Canal Authority (ACP) to discuss the future of operations after 2014, when the truly impressive Canal expansion project is scheduled for completion. There was a positive exchange about the ACP's preliminary thoughts on how Canal tolls might change. In general, the ACP indicated that it would like to introduce more segmentation in its tolls in order to better respond to market fluctuations that affect the competitiveness of the Canal as a route. The industry had understood that these ideas were at an early stage and would be subject to much further discussion. ICS was therefore surprised when, at the end of April 2012, the ACP announced major toll increases, for many larger (non-container) ships, of 15% over the next two years, commencing in July, with even larger increases for many smaller vessels. In addition, the ACP has announced general increases in tariffs for security and oil spill response services, both of which are mandatory for ships passing through the Canal. The industry is expected to oppose these developments very strongly.

Meanwhile, ICS has opposed the 3% toll increases announced by the Suez Canal Authority (SCA) in December 2011, at a time when the industry is still struggling to manage the effects



of the global financial crisis. Suez Canal tolls have remained frozen for the past three years in recognition of difficult shipping markets. ICS therefore co-ordinated an industry response to the SCA, explaining that the economic situation has not improved and requesting that the increases be adjusted or deferred. Disappointingly, however, the increases went ahead unchanged in March 2012.

Following the dramatic political events in Egypt in 2011, and the collapse of other major sources of foreign income such as tourism, the SCA is no doubt under pressure to maintain its revenue. To the SCA's credit, the Canal has continued to function smoothly. However, ICS has since repeated its request for full and proper consultation between the industry and the SCA, particularly whenever toll adjustments are being contemplated.

Industry Representation and Co-operation

As the principal international association for the shipping industry, the primary focus of ICS representation is the International Maritime Organization (IMO). ICS participates actively in virtually every IMO Committee and Sub-Committee as well as numerous specialist working and correspondence groups. ICS is therefore acknowledged by governments as representing the considered views of all international ship operators.

Whilst efficient global shipping depends on a system of uniform global rules, ship operators still live in a world of nation states. The importance of national shipowner's

associations therefore remains as essential as ever. The strength of ICS's advocacy at IMO (and the various other fora that impact on shipping) is very much dependent on the ICS member associations which present agreed ICS positions to their maritime administrations in advance of intergovernmental meetings. ICS member associations collectively develop the industry's global positions through a comprehensive structure of specialist committees (see page 56).

Using its separate ISF identity as an employers' organisation, ICS is also an official social partner at the Geneva-based International Labour Organization (ILO) and acts as Secretary to the Employers' Group on all ILO maritime issues.

In addition to interacting with individual governments during meetings at IMO in London and ILO in Geneva, ICS continues regular attendance at more general policy meetings held by the United Nations in New York, the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), the Consultative Shipping Group (CSG) of maritime administrations, the United Nations Conference on Trade and Development (UNCTAD), the World Customs Organization (WCO), and, in so far as they are relevant to seafarers, bodies such as the World Health Organization (WHO). Given the importance of discussions about CO₂ emissions reduction, ICS has also taken up consultative status with the United Nations Framework Convention on Climate Change (UNFCCC) and represented the industry at the last UN Climate Change Conference (COP 17) in Durban in December 2011.

ICS enjoys good relations with many other intergovernmental bodies that impact on shipping including the International Association of Marine Aids to Navigation and Light House Authorities (IALA), the International Hydrographic Organization (IHO) and the World Meteorological Organization (WMO). ICS also has consultative status with the International Mobile Satellite Organization (IMSO), which is the body that oversees public safety and security communication services including the Global Maritime Distress and Safety System (GMDSS). In addition, ICS attends meetings of both the Paris and Tokyo MOUs on Port State Control.

As an employers' organisation, and an official 'social partner' at the ILO, the opposite number of ISF is the International Transport Workers' Federation (ITF). As reported elsewhere, in April 2012 national shipowner associations and ITF union affiliates held a meeting to exchange views on matters of common interest, the first such meeting outside the confines of the ILO for a decade. It is intended that this positive dialogue will continue. In addition, ISF continues to be a member of the International Committee on Seafarers' Welfare (ICSW) which embraces secular and religious seafarers' welfare organisations.

In view of the importance of ensuring global regulation for a global industry, ICS continues to work closely with the European Community Shipowners' Associations (ECSA) in communicating on issues with Europe that are relevant from an international perspective, and participates in consultations organised by the EU institutions. In the United States, ICS

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IMO in session

works with the various US agencies that impact on shipping in liaison with the Chamber of Shipping of America, which by agreement officially represents ICS in US discussions. Additionally, ICS enjoys good relations with the Asian Shipowners' Forum, whose members are also national shipowners' associations. ICS is also now developing a relationship with the Asia Pacific Economic Co-operation forum (APEC) which is becoming increasingly engaged with maritime transport matters.

ICS works closely with a diverse range of other industry organisations that are engaged generally on transport issues, including the International Chamber of Commerce (ICC), the International Organization for Standardization (ISO), the Business and Industry Advisory Committee to the OECD (BIAC), the International Organization of Employers (IOE) and the World Ocean Council (WOC).

Last but not least, ICS enjoys good relations with various specialist industry bodies such as the International Association of Classification Societies (IACS), the International Group of P&I Clubs (IG), the International Union of Marine Insurance (IUMI), the International Association of Port and Harbors (IAPH), the International Maritime Pilots' Association (IMPA), the Nautical Institute (NI), and the Global Shippers' Forum (GSF). This, of course, is in addition to close co-operation with other specialist international shipping associations including BIMCO, the Cruise Lines International Association (CLIA), Intercargo, Interferry, Intermanager, Intertanko, the Oil Companies International Marine Forum (OCIMF), the International Marine Contractors Association

(IMCA), the International Maritime Employers' Committee (IMEC), the International Support Vessel Owners' Association (ISOA), the International Parcel Tankers Association (IPTA), the Society of International Gas Tanker and Terminal Operators (SIGTTO) and the World Shipping Council (WSC).

Publications

A large proportion of ICS resources is devoted to the production of publications for the benefit of the industry. Issued under the banner of Marisec Publications, ICS publishes over 30 titles which provide guidance on regulatory developments and industry best practices, especially with regard to safety, environmental protection and employment standards.

Under the badge of ISF, ICS currently has an ambitious programme to update various publications to reflect the entry into force, in January 2012, of the 2010 amendments to the IMO Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW). In 2011, this included publication of fully updated Guidelines to the STCW Convention, followed by revised on board training books for deck and engine ratings, which take account of the new STCW grades of Able Seafarer Deck and Engine. Updated on board training record books for deck and engine officer cadets, that will address the new STCW competence standards, are due to be published in the first half of 2012. In co-operation with its partner IT Energy, ISF has also launched a new edition of its popular ISF Watchkeeper computer software, which allows seafarers' work and rest hour records to be maintained in accordance with IMO and ILO regulatory requirements, including

changes necessitated by the STCW 2010 amendments.

Anticipating the entry into force of the ILO Maritime Labour Convention, a new edition of the ISF Guidelines to the ILO MLC is expected to be published in the first half of 2012, in order to take account of the various clarifications agreed by ILO since the MLC was adopted in 2006. Incorporating new advice on compliance and the adoption of best employment practices, it is hoped that this publication will come to be regarded as a sister publication to the definitive ICS/ISF Guidelines on the Application of the International Safety Management (ISM) Code.

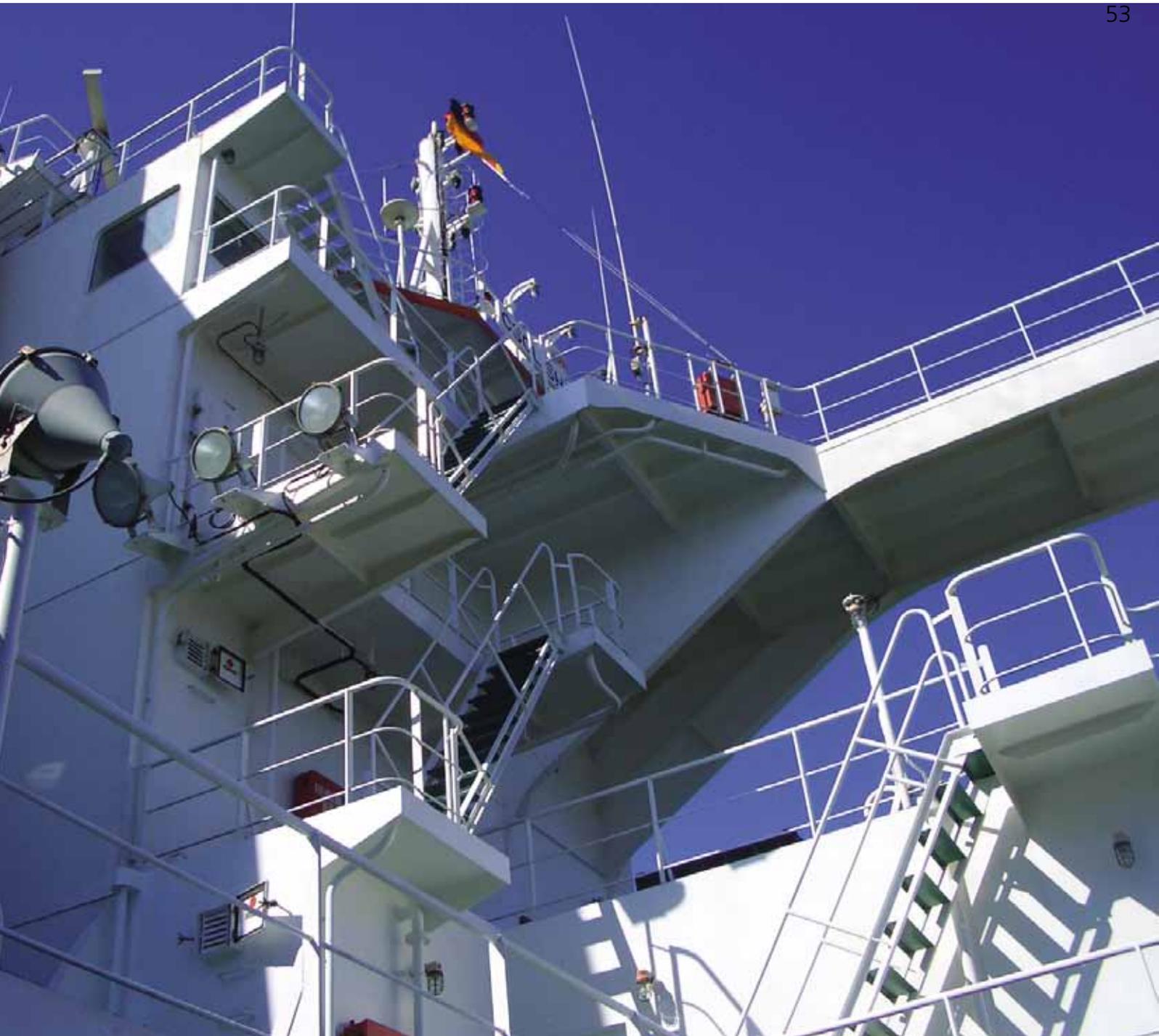
Work is now well advanced on a new edition of the ICS Tanker Safety Guide (Chemicals). This is a major undertaking but publication is anticipated in 2013. Looking forwards, a work group has also been established to begin a review of the current edition of the ICS Tanker Safety Guide (Gas). Work is also underway on a new edition of the ICS Bridge Procedures Guide to take account of developments in e-navigation.

Meanwhile, in co-operation with the Oil Companies International Marine Forum (OCIMF) and the Society of International Gas Tanker and Terminal Operators (SIGTTO) work has progressed on a new consolidated edition of the Ship to Ship Transfer Guide that will cover petroleum, chemical and gas operations. Publication is expected during 2012.





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54 **Organisational Matters**

The current ICS membership comprises national shipowners' associations from 36 countries, representing all sectors and trades and over 80% of the world merchant fleet (see inside back page). In January 2012, the International Maritime Employers' Committee (IMEC), which engages in collective bargaining negotiations with seafarers' unions, joined ICS as an Associate Member.

Peter Hinchliffe continues to serve as ICS Secretary General. Since his appointment in September 2010 he has already overseen some significant organisational changes.

The 2011 Annual General Meeting took the important decision to fully integrate the ICS organisation with that of the International Shipping Federation (ISF). For all intents and purposes ICS and ISF are now the same organisation and the articles and rules of ICS have been amended accordingly. However, ICS will continue to use the separate identity of ISF when representing the industry as an employers' organisation, for example at meetings of the International Labour Organization or when dealing with labour affairs questions.

Since June 2011, the Committees of ICS and ISF have been combined into a single structure, as shown overleaf, reporting to a single ICS Board of Directors, membership of which has been expanded and to which all Full Members that subscribe to both trade association and employment affairs services are now entitled to be represented. This will help to ensure that the positions adopted by ICS

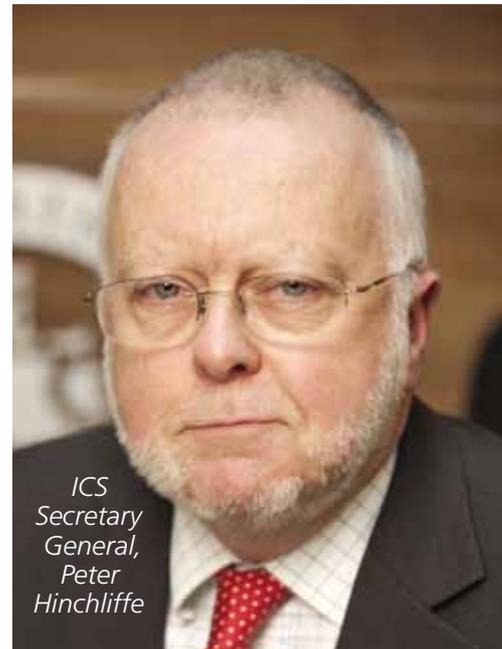
truly reflect the considered views of the entire global shipping industry.

The Secretariat and staff of ICS is provided by Maritime International Secretariat Services Limited (Marisec), which is wholly owned by ICS. Marisec also continues to provide services to the International Support Vessel Owners' Association (ISOA).

In October 2011, ICS relocated to bright new offices at St Mary Axe in the City of London. In December, the new office and meeting facilities were officially opened by the ICS Chairman in the presence of representatives from the various international maritime organisations with whom ICS works most closely.

The 2011 Annual General Meeting of ICS (and the final Annual General Meeting of ISF) was hosted by the German Shipowners' Association in Hamburg in May. Under the new articles of association, the four ICS Vice Chairmen elected for 2011/2012 were Captain Dirk Fry (Cyprus), Mr Frank Leonhardt (Germany), Mr Trygve Seglem (Norway) and Mr Gerardo Borremeo (Philippines). An expanded Board of Directors, which meets three times a year, was also elected by the ICS AGM, as shown on the opposite page. Mr Spyros M Polemis (Greece) continued to serve as Chairman following his re-election in 2010.

Mr Polemis has served as ICS Chairman for the last six years and has announced that he does not intend to seek re-election for 2012/13. A successor will be elected at the ICS Annual General Meeting in May 2012, which will be hosted by the Australian Shipowners Association in Port Douglas, Queensland.



*ICS
Secretary
General,
Peter
Hinchliffe*



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ICS Board of Directors 2011-2012

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- Bahamas** Mr Chris Oliver
- Belgium** Mr Peter Vierstraet
- Canada** Mr Gerry Carter
- Cyprus** Captain Dirk Fry
- Denmark** Mr Carsten Mortensen
- Finland** Mr Jan Hanses
- France** Mr. Christian Garin
- Germany** Mr Frank Leonhardt
- Greece** Mr Anastasios Papagiannopoulos
- Hong Kong** Mr. Robert Ho
- Ireland** Mr John Dolan
- Italy** Mr Stefano Messina
- Japan** Mr Hiroshi Hattori
- Liberia** Mr Mark Martecchini
- Mexico** Mr Luis Ocejo
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- Norway** Mr Trygve Seglem
- Philippines** Mr Gerardo Borrromeo
- Singapore** Mr Esben Poulsson
- Sweden** Mr Lars Höglund
- Turkey** Mr Tamer Kiran
- United Kingdom** Mr Michael Parker
- United States** Mr Charles Parks



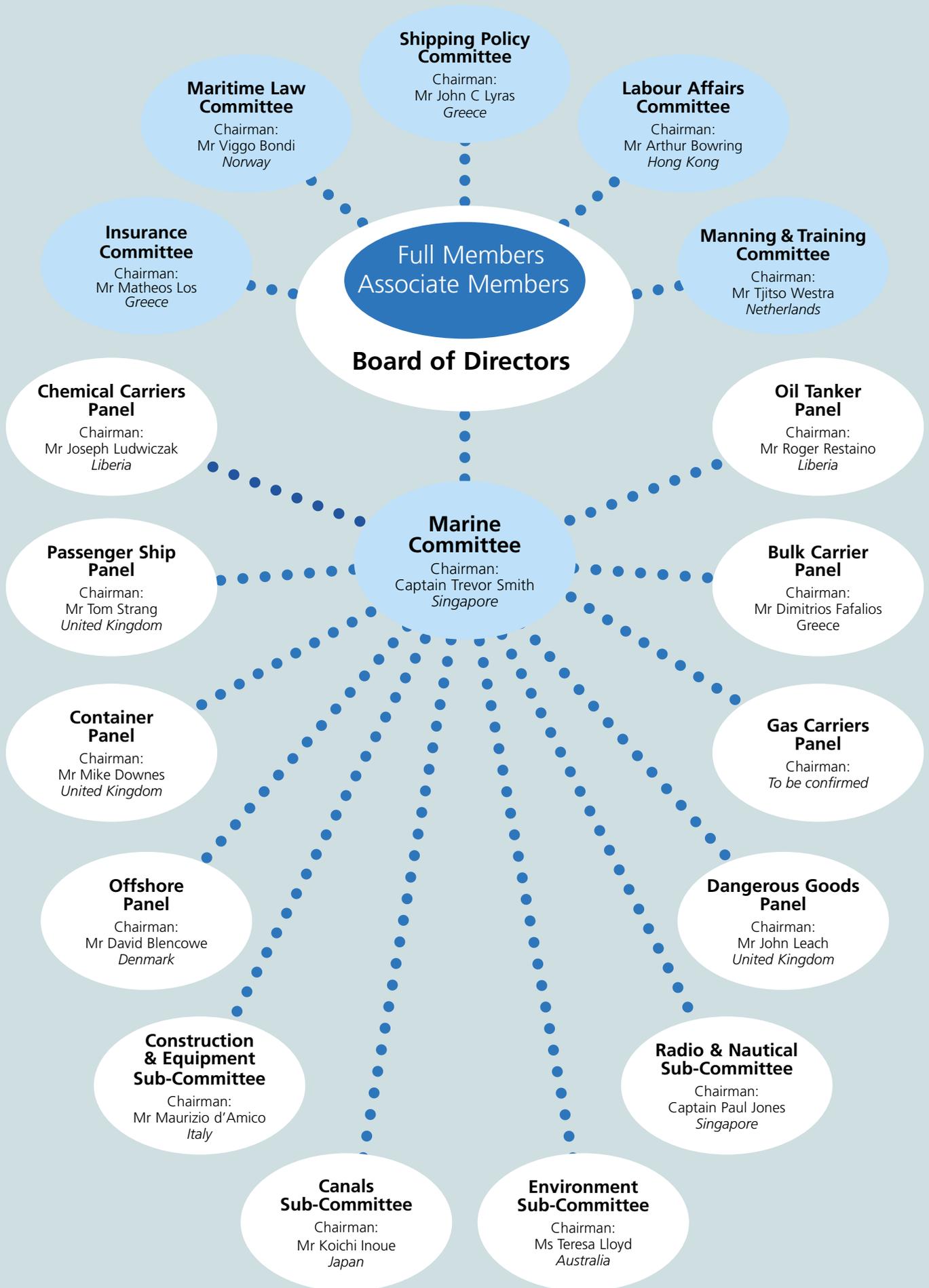
ICS Chairman, Spyros M Polemis opens the new offices at St Mary Axe



ICS Secretariat

ICS Organisational Structure

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Members of the International Chamber of Shipping

FULL MEMBERS

AUSTRALIA	Australian Shipowners Association
BAHAMAS	Bahamas Shipowners' Association
BELGIUM	Royal Belgian Shipowners' Association
BRAZIL	Syndarma●●
BULGARIA	Bulgarian Shipowners' Association●
CANADA	Canadian Shipowners' Association
CHILE	Chilean Shipowners' Association
CHINA	China Ocean Shipping (Group) Co●●●
CROATIA	Mare Nostrum, Croatian Shipowners' Association●
CYPRUS	Cyprus Shipping Chamber
DENMARK	Danish Shipowners' Association
FINLAND	Finnish Shipowners' Association
FRANCE	Armateurs de France
GERMANY	German Shipowners' Association
GREECE	Union of Greek Shipowners Hellenic Chamber of Shipping●
HONG KONG	Hong Kong Shipowners' Association
INDIA	Indian National Shipowners' Association
IRELAND	Irish Chamber of Shipping
ISLE OF MAN	Isle of Man Shipping Association●●
ITALY	Confederazione Italiana Armatori (Confitarma)
JAPAN	Japanese Shipowners' Association
KOREA	Korea Shipowners' Association
KUWAIT	Kuwait Oil Tanker Co.
LIBERIA	Liberian Shipowners' Council
MEXICO	Grupo TMM S.A.
NETHERLANDS	Royal Association of Netherlands Shipowners
NORWAY	Norwegian Shipowners' Association
PHILIPPINES	Filipino Shipowners' Association
SINGAPORE	Singapore Shipping Association
SPAIN	Asociación de Navieros Espanoles
SWEDEN	Swedish Shipowners' Association● Swedish Shipowners' Employer Association●●
SWITZERLAND	Swiss Shipowners' Association●
TURKEY	Turkish Chamber of Shipping
UNITED KINGDOM	UK Chamber of Shipping
UNITED STATES	Chamber of Shipping of America

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BW Fleet Management Pte. Ltd●
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Cruise Lines International Association (CLIA)
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Interferry●
International Maritime Employers. Committee (IMEC)
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Shipping Australia Ltd●
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